Board of Directors

Gaurav Motwane
Chairman, Managing Director & Chief Executive Officer
DIN 00746165

Superna Motwane
Non-Executive Director
DIN 01343282

Satpal Khattar
Non-Executive Director
DIN 00307293

Manish Choksi
Independent Director
DIN 00026496

Rajesh Nagpal
Non-Executive Director
DIN 00032123

Nikhilesh Panchal
Non-Executive Director
DIN 00041080

Arvind Khattar
Non-Executive Director
DIN 00245485

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Registered & Corporate Office

Unit No.1506, 15th Floor, One BKC, 'B' Wing,
Bandra-Kurla Complex, Bandra (East), Mumbai 400 051.

Factory

Nashik
89/1A, M.I.D.C., Satpur, Nashik 422 007, Maharashtra, India.

Pithampur
Plot No.5, Industrial Growth Centre, Pithampur,
District Dhar 454 775, Madhya Pradesh, India.

Branch Offices

Chennai
Subhash Towers, 11th Floor, 8, Hazari Street,
(Near Hotel Lawoods), Mount Road, Chennai 600 002.

Kolkata
7, KYD Street, 3rd Floor, Kolkata 700 016.

Delhi
Unit No.516, 6th Floor, Westend Mall,
Jankapuri West, New Delhi 110 058.

Pune
Office No.12-13-14, 2nd Floor, Saidham Complex,
Lande Wadi, Bhosari, Pune 411 039.

Auditors

S R B C & Co. LLP
12th Floor, The Ruby, 29, Senapati Bapat Marg, Dadar (West), Mumbai 400 028.

Registrar & Transfer Agent

Karvy Fintech Private Limited
Karvy Salenium Tower B, Plot 31-32, Gachibowli, Financial District,
Nanak-ramguda, Hyderabad 500 032.

Contents

BOARD'S REPORT

Dear Members,

Your Directors are pleased to submit the 25th Annual Report of your Company ('the Company' or 'MSL') along with the audited financial statements for the Financial Year ended March 31, 2019.

FINANCIAL RESULTS

Rs. Million

Particulars	**Year ended March 31, 2019**	Year ended March 31, 2018
Total Revenue	**6,603.2**	5,663.6
Profit before Depreciation	**874.5**	666.3
Less : Depreciation / Amortization	**116.0**	103.9
Profit before Tax	**758.5**	562.4
Less : Provision for Tax – Current year	**262.1**	191.0
Deferred tax (Net)	**2.8**	1.6
Profit for the year after tax	**493.6**	369.8
Other Comprehensive Income (Net of Tax)	**(1.2)**	(5.4)
Total Comprehensive Income	**492.4**	364.4
Profit for earlier years brought forward	**1,497.5**	1,440.8
Profit available for appropriation	**1,990.0**	1,805.2
Buy Back of Shares	**243.9**	240.8
Income Tax on Buy Back of Shares	**56.8**	57.7

Your Company's Revenue from Operations (Net) for the year under review was Rs.6,564.0 Million compared to Rs.5,639.5 Million in the previous year, registering a rise of 16.4%.

Other Income was Rs.37.5 Million in 2018-19 compared to Rs.18.9 Million in 2017-18. Profit before Depreciation, Interest and Tax (PBDIT) was at Rs.906.4 Million as against Rs.691.4 Million in 2017-18. The percentage of Profit before Tax (PBT) to Total Revenue (Net) improved to 11.49% in 2018-19 from 9.93 % in 2017-18.

Profit after Tax increased from Rs.369.8 Million in 2017-18 to Rs.493.6 Million in 2018-19. The percentage of Profit after Tax to Total Revenue improved from 6.53% in 2017-18 to 7.48% in 2018-19.

The Board does not recommend dividend for the financial year 2018-19 and no profit is proposed to be transferred to the general reserve.

1. THE STATE OF COMPANY'S AFFAIRS AND FUTURE OUTLOOK

ECONOMIC SCENARIO AND DOMESTIC MARKET

The year started on a strong note with OEM volumes picking up and sustaining through the month of October, 2018. The first two quarters of this financial year saw our customers increasing their production of vehicles and launching new models in the market which were accepted well. The exports to North America grew significantly on the back of additional Class 8 trucks being ordered by the fleet owners.

A change in the axle load norms in India which came into effect from November, 2018 reduced demand for Medium and Heavy Commercial vehicles. There was a gestation period which allowed the market to adjust to the new loading norms and volumes gradually began returning to in Quarter IV. The increase in fuel prices due to increase in price of crude oil worldwide put pressure on the volumes which were already subdued. In the fourth Quarter the NBFC financial crisis in India tightened credit and caused delays for single use truck owners and large fleet operators to purchase vehicles. Even after all the macro economic challenges faced by the Country and the Industry, your Company registered a healthy sales growth which was primarily on the back of the first half of the year. In addition, the Aftermarket segment of the business continued to stay steady throughout the year and registered growth for this financial year as well.

As the Government's focus on infrastructure development continued, the M&HCV as well as the construction equipment sectors progressed at a steady rate. The positive sentiment gave a boost to the last quarter with higher sales in almost all sectors barring exports.

The Lok Sabha Elections in April & May 2019 and the associated uncertainty with it, is expected to have a slowing effect on most of the sectors being catered to by your Company in the first quarter. With a stable government formation in May 2019, we expect the second & third quarter to have high growth in view of the expected pre-buying of BS-IV vehicles. The last quarter is expected to ride mainly on BS-VI vehicle production. The level of implementation of the scrap page policy may further help your Company grow.

EXPORTS

US Heavy Commercial Vehicle segment (HCV) witnessed steady order inflow in the II & III quarter during the year. Accordingly, the Company's exports to North America witnessed growth. The export sales to North American market segment in FY 2018-19 was USD 19.7 Million as against USD 13.7 Million in FY 2017-18.

As witnessed during the last quarter, the export business is expected to slow down at least for the first quarter of FY 2019-20, thereafter leveling off as per projected vehicle sales data.

The export to the European market continued on a steady trend in FY 2018-19 and this trend is expected to remain on similar demand pattern in FY 2019-20.

AFTER MARKET BUSINESS

Continuing with your Company's endeavor to increase its footprint in the Aftermarket, more parts were added to the current offering. The ground level product promotion activities continued to be in focus to promote the new range of products as well as to retain market share in the existing parts.

The After Market sale in FY 2018-19 was Rs.958.2 Million compared to Rs.864.3 Million in FY 2017-18.

PITHAMPUR PLANT

With the positive support from Volvo Eicher Commercial Vehicle (VECV) & Force Motors Limited (FML) the sales at the Pithampur Plant of the Company in FY 2018-19 grew to Rs.343.53 Million from FY 2017-18 figure of Rs.190 Million. With the expected improvement in these customer volumes & utilization of available capacity for some other customers, the sales is expected to grow further.

The sales from this plant to VECV in FY 2018-19 was Rs.336.7 Million as against the sales of Rs.190.2 Million for the FY 2017-18. The sales for the FY 2019-20 will continue to grow backed on the higher sales volume of VECV.

NEW BUSINESS

The Company is pushing forward with all its existing customers as well as new players for new business via additional applications and new product offerings to ensure continued business growth.

TECHNOLOGY AND PRODUCT OFFERING

The global trends in terms of technology and products revolve around environmental regulations, safety, light-weighing and connectivity. Your Company is constantly developing products that meet the dynamic requirements of the market. The products have been developed to cover the entire range of vehicles including new generation heavy commercial vehicles.

TECHNOLOGY AND PRODUCT DEVELOPMENT

The development of products for new generation vehicles puts the Company on a strong footing where it is positioned to provide products for future demand trends. Several new products have been developed under the period of review and several current products have been upgraded.

RESEARCH AND DEVELOPMENT

In order to boost customer confidence in our product offering, our Company has continuously invested in testing facilities. A new R&D Centre has been created with the State of the Art equipment catering for all range of products made by the Company.

The facility in addition to testing, validations for products as per customer requirements, it also supports in-house innovations, as regards to products, features & processes.

This year, the Company invested Rs. 5.3 Million as compared to Rs. 1.4 Million last year in R&D.

THE YEAR AHEAD

Overall the major sectors contributing to the Company's business should fare well in the year FY 2019-20.

The projections for the North American truck market being flat, our sales would follow a similar path. Your Company has added other customers catering to a different segment in the same market, which should shore up some sales.

The domestic market growth will directly depend on the following:

1. Results of the Lok Sabha Elections & Formation of new government
2. Focus of the New Government on infrastructure spend
3. Implementation of the BS-VI changeover
4. Extent & Severity of the Vehicle Scrappage Policy

Assuming a stable new government in place, the ongoing infra projects like roads, housing, waterways etc. should continue at the same pace giving a boost to the automotive sector too. The current expectations of a normal monsoon too should help.

The ongoing tussle between some major countries on trade barriers, hardening crude oil prices could pose some challenges for the Company with these affecting the customer volumes. The Company's varied product & application range spread over different sectors should help tide over these risks to business.

2. BUY-BACK OF SHARES

The Board at its meeting held on June 5, 2018 approved a proposal for the buy-back of fully paid-up equity shares of face value of Rs. 10/- each from the equity shareholders of the Company for an amount not exceeding Rs.250.0 Million. The proposal for the buy-back of equity shares was approved by the shareholders of the Company at the 24th Annual General Meeting held on September 11, 2018. The Buy-Back offer comprised a purchase of 609,755 equity shares aggregating to 6.05% of the total number of shares comprised in the paid-up share capital of the Company (13.60% i.e. aggregate paid-up capital and free reserves) at a price of Rs.410.0. The buy-back was offered to all the shareholders of the Company. The Company concluded the buy-back procedure on October 10, 2018 in all respects and 609,755 equity shares were extinguished. The Company has utilized the general reserve for the buy-back of its shares.

The Buy-Back Committee was specifically formed for the purpose of monitoring and approving the buy-back process as approved by the Board at its meeting held on June 5, 2018 comprising of Mr. Gaurav Motwane, Chairman & Managing Director and Mr. Nikhilesh Panchal, Non-Executive Director.

3. COST CONTROL

Cost optimization and effectiveness has been a key pillar of your Company's value creation strategy. This strategy has been achieved through scale in operations, process technology innovations, wastage reduction in the value chain along with efficient management of working capital. Your Company will continue its efforts on cost effectiveness in the coming year. In order to counter the upward trend in indirect costs going into products and inability of OEM customers to compensate the same, the Company continued to improve operational efficiency by increasing review cycle to Weekly Cross Functional Review meetings, Total Productive Maintenance and Group Kaizen.

The cost of power supplied by the State Electricity Board has increased over the past financial year. Several Energy Saving Programs have been undertaken by the Company which has yielded satisfactory results. The management continues to find innovative ways of reducing its energy costs including evaluating sources and investments in renewable energy for its manufacturing requirements.

4. SHARE CAPITAL

During the year under review, the Company bought back 609,755 (Six Lakh Nine Thousand Seven Hundred Fifty Five) fully paid-up equity shares. Post buy-back, the number of equity shares has reduced to 94,73,560 (Ninety Four Lakh Seventy Three Thousand Five Hundred Sixty).

5. FINANCE

The Company has a term loan amounting to Rs.14.0 Million and working capital facilities availed by the Company from its bankers amounting to Rs. 398.7 Million are outstanding as on March 31, 2019.

6. DEPOSITS

The Company has not accepted any fixed deposits including from public and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

7. PARTICULARS OF LOANS, GUARANTEE OR INVESTMENT

During the financial year ended March 31, 2019, the Company has not given any loan to any person or other body corporate or given any guarantee or provided any security in connection with a loan to any other body corporate or a person.

During the year under review, the Company has not acquired by way of subscription, purchase or otherwise, the securities of any other body corporate.

8. RISK MANAGEMENT

The Risk Management Policy as adopted by the Board of Directors of your Company focuses on sustainable business growth of the Company. The risk management systems adopted by the Company at various levels, inter alia, cover business risk, statutory compliances, and environmental risk. The Risk Management system is continuously reviewed at appropriate level and corrections are made wherever required. The Company has taken adequate insurance policies to mitigate different kinds of risk. The safety audit is undertaken regularly.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has Internal Financial Control Systems commensurate with the size of the Company and the nature of its business. The Internal Financial Control system of the Company covers three levels control viz. entity level, business process level and IT General Control. The Internal Financial Control System as adopted by the Board of Directors of the Company ensures adherence to the Company's policy, the safeguarding of its assets, the prevention of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures. The Company has appointed internal auditors to monitor and evaluate the efficacy and adequacy of internal financial control system in the Company. The Audit Committee and the Board ensures that the said system is adequate considering the nature of business and size of transactions. The Statutory Auditors have also audited the Internal Financial Control System of the Company for the financial year ended March 31, 2019 and opined in their report that the Company has in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019. The code of conduct for senior management and employees of the Company commits management to financial and accounting policies, systems and processes. The Company's financial statements are prepared on the basis of significant accounting policies that are carefully selected by the Management. These accounting policies are reviewed and updated on time to time basis.

9. INDUSTRIAL RELATIONS

Industrial relations during the year were cordial.

10. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Chairman of the Board

Mr. Gaurav Motwane, Managing Director & CEO of the Company who was appointed as Chairman of the Board & Company w.e.f. December 19, 2016, continues to be the Chairman of the Board and the Company.

Inductions

The Board made the following appointments based on the recommendation of the Nomination and Remuneration Committee of the Board:

- Appointment of Mr. Manish Choksi as an Additional Director in the category of Independent Director with effect from February 12, 2019.

The appointment of Mr. Manish Choksi would be placed before the forthcoming Annual General Meeting of the Company for the approval of the members.

Re-appointment of Retiring Directors

As per the provisions of the Companies Act, 2013, Mr. Rajesh Nagpal, Non-Executive Director and Mrs. Superna Motwane, Non-Executive Director retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board recommends their re-appointment.

Resignation

During the year under review, no resignations were received from the members of the Board of the Company.

Cessation

During the period under review, Mr. Vivek Patwardhan, Independent Director of the Company consequent to completion of his second term as the Independent Director of the Company, retired from the Board of the Company with effect from March 31, 2019.

The Board places on record its sincere appreciation for the services rendered by Mr. Vivek Patwardhan during his tenure with the Company.

Pursuant to provision of Section 149 of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014, the Company is required to appoint minimum two independent directors on the Board. However, due to cessation of Mr. Vivek Patwardhan, on account of retirement, the composition of the number of Independent Directors in the Company is reduced to one. The Board shall take necessary endeavors to appoint Independent Director on the Board of Directors of the Company.

Declaration by Independent Director

The Company has received necessary declaration from Mr. Manish Choksi, Independent Director under the provisions of Section 149(7) of the Companies Act, 2013, that he meets the criteria of independence as laid down in Section 149(6) of the Companies Act, 2013. The Independent Directors are not liable to retire by rotation.

Number of Meetings of the Board of Directors

During the year under review, the Board met 4 (Four) times i.e. on June 5, 2018; August 23, 2018; December 3, 2018 and February 12, 2019 respectively, the details of which are provided for in Annexure 'B' forming part of this Board Report. The maximum interval between two meetings did not exceed 120 days, as prescribed in Section 173 of the Companies Act, 2013.

11. AUDIT COMMITTEE

The Audit Committee comprises Mr. Gaurav Motwane, Managing Director and Mr. Manish Choksi, Independent Director. Mr. Vivek Patwardhan, Independent Director ceased to continue as a member of the Audit Committee, consequent to his retirement, post completion of his term from the directorship of the Company with effect from March 31, 2019.

During the year under review, the Committee met 4 (Four) times i.e. on June 5, 2018; August 23, 2018; December 3, 2018 and February 12, 2019 respectively, the details of which are provided for in Annexure 'B' annexed to this Board Report.

There were no circumstances requiring reporting where the Board has not accepted the recommendations of the Audit Committee.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVE

Your Company has framed a Corporate Social Responsibility (CSR) Policy in compliance with the provisions of the Companies Act, 2013 and the same is available on the Company's website (www.msldriveline.com).

The CSR activities undertaken by your Company primarily focuses on education, health, environment, women empowerment and up-liftment of poor. The details of the CSR initiatives undertaken by the Company during the year under review and the amount spent are provided for in Annexure 'C' forming part of this Board Report.

The CSR Committee comprises of Mrs. Superna Motwane, Non-Executive Director and Mr. Rajesh Nagpal, Non-Executive Director. Mr. Vivek Patwardhan, Independent Director of the Company, ceased to continue as a member of the CSR Committee, consequent to his retirement, post completion of his term from the directorship of the Company with effect from March 31, 2019.

The CSR corpus for the financial year 2018-19 amounted to Rs. 9.0 Million. The details of CSR corpus spent on CSR activities approved by the CSR Committee and the Board, including the reason for un-spent amount is provided for in the Annual Report on CSR which forms part of this Report.

During the year under review, the Committee met 2 (Two) times i.e. on June 5, 2018 and August 23, 2018 respectively, details of which are given in Annexure 'B' forming part of this Board Report.

13. NOMINATION & REMUNERATION POLICY AND COMMITTEE

The Company has in place a Nomination & Remuneration Committee (NRC) in accordance with the requirements of Section 178 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014. The Nomination & Remuneration Committee presently comprises of Mrs. Superna Motwane, Non-Executive Director and Mr. Manish Choksi, Independent Director. Mr. Vivek Patwardhan, Independent Director ceased to continue as a member of the NRC Committee, consequent to his retirement, post completion of his term from the directorship of the Company with effect from March 31, 2019.

The Committee has formulated a Policy on Director's appointment and remuneration including recommendation of remuneration of the key managerial personnel and other employees, composition and the criteria for determining qualifications, positive attributes and independence of a Director are provided for in Annexure 'D' forming part of this Board Report.

During the year under review, the Committee met 2 (Two) times i.e. on June 5, 2018 and February 12, 2019, the details of which are provided for in Annexure 'B' forming part of this Board Report.

14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards for the financial year ended March 31, 2019 have been followed along with proper explanation relating to material departures;

2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. The Directors have prepared the annual accounts on a going concern basis;

5. The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

15. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All transactions with related parties entered into by the Company during the financial year were on arm's length basis and were in the ordinary course of business. The details of the related party transactions as required under Section 188 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 in the format prescribed in Form AOC-2 are provided for in Annexure 'E' forming part of this Board Report.

16. AUDITORS

STATUORY AUDITORS

M/s SRBC & Co. LLP, Chartered Accountants (Firm Registration Number: 324982E) were appointed as the Statutory Auditors of the Company to hold office for a period of five consecutive years from the conclusion of the 23rd Annual General Meeting of the Company held on August 17, 2017, till the conclusion of the 28th Annual General Meeting to be held in the year 2022.

The Auditors' Report does not contain any qualification, reservation, adverse remark or disclaimer.

The Auditors' Report is enclosed with the financial statements in the Annual Report.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 thereunder, Vijay Tiwari & Associates, Practicing Company Secretaries were appointed to conduct the secretarial audit of the Company for the financial year 2018-19. The Secretarial Audit Report for the financial year 2018-19 is provided for in Annexure 'G' forming part of the Board's Report.

The Secretarial Auditors in their report has made comment on non-compliance of the provisions of Foreign Exchange Management Act, 1999. The non-compliance pertains to filing of Annual Performance Report (APR) which has mainly occurred on account of non-availability of financial documents of foreign joint venture companies, corresponding to the Company's financial year.

The Company is in the process of complying with the requirements of FEMA / RBI and seeking advices of the consultants on this matter.

The Board has appointed Vijay Tiwari & Associates, Practicing Company Secretaries, as the Secretarial Auditor of the Company for financial year 2019-20.

17. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption, and foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are provided for in Annexure 'A' forming part of this Board Report.

18. PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 197 of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended vide notification dated June 30, 2016 issued by the Ministry of Corporate Affairs, Government of India), the names and other particulars of the employees are set out in the Annexure 'F' forming part of this Board Report.

19. EXTRACT OF ANNUAL RETURN

In accordance with the provisions of Section 134(3)(a) of the Companies Act, 2013 as amended vide the Companies (Amendment) Act, 2017, the Annual Return as provided under sub-section (3) of Section 92 of the Companies Act, 2013 in the prescribed Form MGT-7 is placed on Company's website at www.msldriveline.com.

20. MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION

There have been no material changes and commitments which have occurred between the end of the financial year and the date of this report which can have impact on financial position of the Company.

21. SIGNIFICANT AND MATERIAL ORDER

There have been no significant material orders passed by courts, tribunals or regulatory authorities which can have impact on the going concern status of the Company and its operations.

22. PREVENTION OF SEXUAL HARASSMENT POLICY

The Company has constituted an Internal Complaint Committee under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year no complaints were filed before the said Committee.

23. ACKNOWLEDGMENTS

We place on record our appreciation for the enormous efforts and collective contribution made by our employees towards the consistent growth of the Company. We also thank our shareholders, customers, dealers, suppliers, bankers, Government and all other business associates for their continuous support and confidence in the Management of the Company and look forward to their continued support in the future.

For and on behalf of the Board

Gaurav Motwane	**Manish Choksi**
Managing Director	*Independent Director*
DIN : 00746165	DIN : 00026496

Mumbai
May 29, 2019

Annexure 'A' to the Board's Report

PARTICULARS AS PER ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 134(3)(m) OF THE COMPANIES ACT, 2013 READ WITH RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

(A) CONSERVATION OF ENERGY

The Company has given due importance to conservation of energy and environmental sustainability. Persistent efforts are made by the Company towards achieving this goal.

(i) The steps taken or impact on conservation of energy:

Energy Conservation Measures taken at Nashik and Pithampur Plant:

(1) Usage of LED tubes, panel lights, street lights and focus lights continued at both locations.

(2) Auto Control through programmable timer circuit for shop floor lights of both plants provided to avoid the manual control.

(3) New quick dry paint trials are being carried which would not require baking oven for paint booth operation or temperature of oven can be set at lower level resulting in substantial energy conservation.

(4) New IGBT based PF and harmonics controllers installed for Plant-1 & Plant-3 which controls PF accurately near to unity value resulting in reduced maximum demand and less energy consumption and improving power quality by reducing harmonics.

(ii) The steps taken by the Company for utilizing alternate sources of energy:

Solar Power of 700 KWP is installed at the rooftops of Plant - 2, 3 & 4. The energy generated from the installation in FY 2018-19 is about 10.2 lakh units which is equivalent to plantation of more than 1 lakh trees, helping in reduction of carbon foot print. The second phase of solar panel on Plant -1 and stores roof is in progress and will be completed at soonest.

(iii) The capital investment on energy conservation equipments:

During the current financial year capital investment of Rs. 2.5 Million was made on energy conservation equipments (Rs.22.5 Million towards second phase of solar investment is in progress).

(B) TECHNOLOGY ABSORPTION

In-House Technology Developments:

Clutch

- Size of Clutch supplied to OEM for pickup trucks has been increased from existing Ø240 to Ø244 – To enhance wear life of clutch. Customer has also launched Big Bolero (1.70 Payload) using Ø244 dia Clutch.
- Cold forging process has been adopted for development of child parts of LCV pre damper clutch which gives dimensional accuracy required for NVH performance.
- Prototype of Ceramic button type clutch in Ø240 has been developed with buttons provided by MIBA Austria, which is undergoing validation.
- Ventilation type pressure plate with radial grooves has been developed for SUV application. Sample of the same is undergoing validation.
- LCV Cover assembly tagging tool is modified (2 stroke to single stroke) to enhance productivity.
- Change of riveting presses from Hydraulic to Mechanical to have consistency in riveting quality.
- Change in shape of fulcrum ring from wavy to dimpled (simplified design).
- Development of HCV Clutch (Ø275) in DST design.
- Change of facing riveting process from single rivet to multi rivet riveting.

UNIVERSAL JOINTS

- Development of 2055 series Prop shaft Assy for HCV applications - Design work, Raw parts, Finish part development, Machining of parts is completed. Parts are successfully tested as per customer DVP.
- Development of 2060 series Prop Shaft Assy for HCV applications- Design work, Raw parts, Finish part development, Machining of parts is completed Parts are successfully tested as per customer DVP.
- Development of Non Ferrous Aluminum Tube Prop shafts for LCV applications – Design Work, Raw parts development, Finish parts development, Machining of parts is completed. Testing of parts is in process as per DVP.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Rs. Million

Particulars	Current Year	Previous Year
Inflow	**1,454.1**	948.0
Outflow	**1,052.2**	839.7

Annexure 'B' to the Board's Report

DETAILS OF MEETING OF BOARD OF DIRECTORS OF THE COMPANY AND THEIR COMMITTEES AS PER SECTION 134(3)(b) AND SECRETARIAL STANDARDS ON MEETINGS OF THE BOARD OF DIRECTORS (SS - 1) DURING THE FINANCIAL YEAR ENDING ON MARCH 31, 2019

A] BOARD MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended	Attendance at last AGM
1.	Mr. Gaurav Motwane	Chairman, Managing Director & CEO	4 out of 4	Yes
2.	Mr. Satpal Khattar	Non-Executive Director	4 out of 4	No
3.	Mrs. Superna Motwane	Non-Executive Director	3 out of 4	Yes
4.	Mr. Nikhilesh Panchal	Non-Executive Director	4 out of 4	No
5.	Mr. Rajesh Nagpal	Non-Executive Director	4 out of 4	No
6.	Mr. Arvind Khattar	Non-Executive Director	2 out of 4	No
7.	Mr. Manish Choksi *(Appointed as Additional Director w.e.f. February 12, 2019)*	Independent Director	1 out of 1	No
8.	Mr. Vivek Patwardhan *(Retired w.e.f. March 31, 2019)*	Independent Director	4 out of 4	No

B] AUDIT COMMITTEE MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended
1.	Mr. Gaurav Motwane	Chairman, Managing Director & CEO	4 out of 4
2.	Mr. Vivek Patwardhan *(Retired w.e.f. March 31, 2019)*	Independent Director	4 out of 4

C] CORPORATE SOCIAL RESPONSIBILITY [CSR] COMMITTEE MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended
1.	Mrs. Superna Motwane	Non-Executive Director	2 out of 2
2.	Mr. Rajesh Nagpal	Non-Executive Director	2 out of 2
3.	Mr. Vivek Patwardhan *(Retired w.e.f. March 31, 2019)*	Independent Director	2 out of 2

D] NOMINATION & REMUNERATION [NRC] COMMITTEE MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended
1.	Mrs. Superna Motwane	Non-Executive Director	2 out of 2
2.	Mr. Vivek Patwardhan *(Retired w.e.f. March 31, 2019)*	Independent Director	2 out of 2

Annexure 'C' to the Board's Report

ANNUAL REPORT ON CSR ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs.**

   CSR vision of the Company is to integrate social and environmental concerns in its business operations and interactions with all stakeholders in order to achieve a balance of economic, environmental and social imperatives. CSR will remain a fundamental part of the Company's practices, broad objective and overall culture. The Company has constituted CSR Committee which recommends CSR activities to the Board for their approval. There is a monitoring team to overview the implementation of the CSR activities. The Company implemented its CSR Project through implementing agencies by way of contribution. During the year under review, the Company has contributed towards programs encompassing the following areas:

   (a) Education & Sports

   (b) Health

   (c) Women Empowerment

   (d) Environment

   (e) Up-liftment of poor

   The Company's CSR Policy is available at *www.msldriveline.com*

2. **The Composition of the CSR Committee.**

   CSR Committee as on March 31, 2019 consists of:

No.	Name of Director	Designation
1.	Mrs. Superna Motwane	Non-Executive Director
2.	Mr. Rajesh Nagpal	Non-Executive Director

** Mr. Vivek Patwardhan was a member of the Corporate Social Responsibility Committee of the Board till his cessation from the Board and Committee with effect from March 31, 2019. Mr. Manish Choksi was appointed as the member of the CSR Committee of the Board with effect from May 17, 2019.*

3. **Average net profit of the Company for the last three financial years :** Rs.452.40 Million

4. **Prescribed CSR Expenditure (two percent of the amount as in item above) :** Rs.9.0 Million

5. **Details of CSR spent during the financial year:**

   (a) Total amount to be spent for the financial year : Rs.7.09 Million

   (b) Amount unspent, if any : Rs.1.91 Million

(c) Manner in which the amount spent during the financial year is detailed below:

Rs. Million

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	**CSR Project or activity identified**	**Sector in which the Project is covered**	**Projects or Programs** (1) Local area or other (2) Specify the state & district where Projects or Programs were undertaken	**Amount outlay (budget) Project or Program wise**	**Amount spent on the Projects or Programs Sub Heads:** (1) Direct Expenditure on Projects and Programs (2) Overheads	**Cumulative expenditure upto to the reporting period.**	**Amount Spent: direct or through implement-ting agency**
1.	Project Nanhikali	Education	Mumbai, Maharashtra	0.24	0.24	0.24	Implement-ing Agency
2.	Hidush Foundation	Education	Mumbai, Maharashtra	0.50	0.50	0.50	Implement-ing Agency
3.	Seva Sadan Society	Women Empowerment	Mumbai, Maharashtra	0.25	0.25	0.25	Implement-ing Agency
4.	Indian Squash Professionals	Sports	Mumbai, Maharashtra	0.10	0.10	0.10	Implement-ing Agency
5.	Dr. Babasaheb Ambedkar Vaidakiya Pratishthan	Health	Nashik, Maharashtra	3.30	3.30	3.30	Implement-ing Agency
6.	Nashik Hriday Mitra Sevabharti Sanstha	Health	Nashik, Maharashtra	1.20	1.20	1.20	Implement-ing Agency
7.	Tainwala Foundation	Environment	Nashik, Maharashtra	0.50	0.50	0.50	Implement-ing Agency
8.	Shri Sewa Bharti Shiksha Samiti	Education / Women Empowerment	Pithampur, Madhya Pradesh	0.62	0.62	0.62	Implement-ing Agency
9.	Bahuuddeshiya Sewa Samiti	Education/Up-liftment of Poor	Pithampur, Madhya Pradesh	0.25	0.25	0.25	Implement-ing Agency
10.	AAS India	Education	Pithampur, Madhya Pradesh	0.13	0.13	0.13	Implement-ing Agency
Total				**7.09**	**7.09**	**7.09**	

Details of Implementing Agency: Project Nanhikali is implemented by K.C. Mahindra Education Trust, Mumbai. The projects mentioned above (No.2 to 10) are implemented by the respective NGO's / organizations mentioned in the first column itself.

6. In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report:

The Company is evaluating a proposal to upgrade the various facilities at the educational institutes in Mumbai, specifically for under privileged children. This may include upgradation of facilities of a Municipal School. However, unfortunately the Company could not finalize the proposal. The Company hopes to finalize the proposal in the ongoing financial year and spend the unspent CSR Amount.

For and on behalf of the Board

Superna Motwane	**Gaurav Motwane**	**Manish Choksi**
Chairperson of CSR Committee	*Managing Director*	*Independent Director*
DIN : 01343282	DIN : 00746165	DIN : 00026496

Mumbai
May 29, 2019

Annexure 'D' to the Board's Report

POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION AS PER SECTION 178(4) OF THE COMPANIES ACT, 2013 IS AS FOLLOWS

The Nomination and Remuneration Committee has adopted a Charter which, inter alia, deals with the manner of selection of Board of Directors, KMP and Senior Management and their remuneration. This Policy is accordingly derived from the said Charter.

A] Criteria for Board Membership

Directors

The Company shall take into account following points:

(a) Director must have relevant experience in Finance / Law / Management / Sales / Marketing / Administration / Research / Corporate Governance / Technical Operations / Human Resource or the other disciplines related to Company's business.

(b) Director should posses the highest personal and professional ethics, integrity and values.

(c) Director must be willing to devote sufficient time and energy in carrying out their duties and responsibilities.

Independent Director

Independent Director shall meet all criteria specified in Section 149(7) of the Companies Act, 2013 and rules made thereunder.

B] Remuneration Policy

Directors

Nomination and Remuneration Committee shall recommend the remuneration, including the commission based on the net profits of the Company for the Non-Executive Directors and Whole-time Directors and other Executive Directors.

Remuneration recommended by the Committee shall be subject to approval of the Board and Shareholders.

Prior approval of the Shareholders will be obtained whenever applicable.

Remuneration to Whole-time directors shall be by way of salary, allowances, perquisites and variable pay. Salary is to be paid within the range approved by the Shareholders. Annual increments to be proposed by the Committee should be within the prescribed ceiling approved by the Shareholders. Annual increments as proposed by the Committee shall be subject to approval of the Board.

The remuneration paid to Executive Directors is determined keeping in view the industry benchmark and the relative performance of the Company to the industry performance. Perquisites and retirement benefits are paid according to the Company policy.

Non-Executive Directors receive sitting fees for attending meetings of the Board and Board committees. Sitting fees to be recommended by the Committee and to be approved by the Board.

Key Managerial Personnel/other employees

The remuneration to employees largely consists of basic salary, perquisites, allowances and incentives. Perquisites and retirement benefits are paid according to the Company policy, subject to the prescribed statutory ceiling.

The components of the total remuneration vary for different grades and are governed by the industry pattern, qualification and experience / merits, performance of each employee. The Company while deciding the remuneration package takes into consideration current employment scenario and remuneration package of the industry.

Employees shall be eligible for loan from the Company, not exceeding twelve times of their basic salary and subject to approval by the Management at such terms and conditions (including rate of interest) deemed appropriate by the Management, considering various factors such as number of years of services, past performance, etc.

The annual variable pay of employees is linked to the performance of the Company.

Annexure 'E' to the Board's Report

PARTICULARS OF CONTRACT OR ARRANGEMENTS WITH RELATED PARTIES AS PER SECTION 134(3)(h) OF THE COMPANIES ACT, 2013

Form No. AOC-2

[Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014]

This Form pertains to disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

   There were no contracts or arrangements or transactions entered into during the year ended March 31, 2019, which were not at arm's length basis.

2. **Details of material contracts or arrangements or transactions at arm's length basis:**

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements /transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any
Khaitan & Co. *(Mr. Nikhilesh Panchal, Director of MSL Driveline Systems Limited, is also a partner of Khaitan & Co. LLP and Khaitan & Co.)*	Professional fees (on the basis of attendance at Board/ Committee Meetings)	Ad-hoc	Arm's length transaction	N.A.	Nil
Motwane Consultancy Private Limited *(Mr. Gaurav Motwane and Mrs. Superna Motwane are member and directors in the related party)*	Leasing of Property	Three years (w.e.f. January 30, 2018)	Arm's length transaction	February 13, 2017 – Board Members approval	Nil
MSL North America Inc. *Body Corporate* *(Mr. Gaurav Motwane, Managing Director of the Company is also the Director of MSL North America Inc.)*	Reimbursement of expenses for marketing services	Ad-hoc	Arm's length transaction	N.A.	Rs.700,000
Msona Automotive Components Private Limited 'MSONA' *(Mr. Gaurav Motwane and Mrs. Superna Motwane are member and directors of the Company and are also member and directors of MSONA.)*	Purchase of Goods	Ad-Hoc (on the basis of purchase order)	Arm's length transaction	N.A.	Nil

For and on behalf of the Board

Gaurav Motwane
Managing Director
DIN : 00746165

Manish Choksi
Independent Director
DIN : 00026496

Mumbai
May 29, 2019

Annexure 'F' to the Board's Report

INFORMATION AS PER SECTION 197 OF THE COMPANIES ACT, 2013, READ WITH RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 FOR THE YEAR ENDED MARCH 31, 2019

Rs. Million

Name of Employee, Designation / Nature of Employment, whether contractual or otherwise	Remuneration received (Subject to Income Tax)	Qualification & Experience	Date of Commencement of Employment	Age (Years)	Previous Assignment (Designation / Organisation)	Percentage of equity held in the Company (along with spouse and dependent children) (only if it is 2% or more)
Mr. Gaurav Girdhar Motwane *Chairman, Managing Director & CEO*	63.5	Bachelors in Business Administration, Marketing and Entrepreneurial Management from Wharton School, University of Pennsylvania, USA. Exp. 24 years	12.05.2004	47	Expo-point Software Private Limited - Director	*37.97%
Mr. Ranjit Vasant Vadhavkar *Senior Vice President*	9.83	B.E., ACMA & Master of Financial Management, MIE Exp. 38 years	15.03.1990	61	Mahindra & Mahindra Limited - Materials Manager	Nil
Mr. Bhushan Shridhar Patwardhan *Asst. Vice President*	4.94	Licentiate in Mechanical Engineering, Diploma in Business Management & Masters in Management Studies Exp. 35 years	16.09.1984	53	Trainee Engineer - Crompton Greaves Limited, Satpur, Nashik	Nil
Mr. Pradeep Bhagwan Mestry *CFO & Asst. Vice President*	4.80	B.Com, Cost Accountant (CWA) & Chartered Accountant (CA) Exp. 22 years	31.07.2009	48	Associated Capsules Private Limited - DGM Finance	Nil
Mr. Waman Vinayak Jain *Asst. Vice President*	4.64	Diploma in Mechanical Engineering Exp. 37 years	16.10.1982	58	MSL Driveline Systems Limited - Joined as a Fresher	Nil
Mr. Anselm Adam Solomon *Asst. Vice President*	4.53	Diploma in Mechanical Engineering Exp. 38 years	01.09.1981	61	Government App. - ACC Vikers Babcock Private Limited	Nil
Mr. Sharanabasappa Sidlingappa Lavangad *Asst. Vice President*	4.45	B.E. Exp. 35 years	26.07.1984	58	MSL Driveline Systems Limited - Joined as a Fresher	Nil
Mr. Subhash Sudhakar Pendke *Dy General Manager*	3.43	B.E. Exp. 31 years	01.09.1988	54	Mahindra & Mahindra Limited, Tractor Division, Kandivali - Shop Floor Engineer	Nil

Rs. Million

Name of Employee, Designation / Nature of Employment, whether contractual or otherwise	Remuneration received (Subject to Income Tax)	Qualification & Experience	Date of Commencement of Employment	Age (Years)	Previous Assignment (Designation / Organisation)	Percentage of equity held in the Company (along with spouse and dependent children) (only if it is 2% or more)
Mr. Nimmagada Satya Sairam *Dy General Manager*	3.24	Diploma in Electronics & Communications Exp. 23 years	08.09.1996	49	TICO Machine Private Limited, Hyderabad - Senior Engineer	Nil
Mr. Dinesh Jaywant Bhadane *Dy General Manager*	3.09	Licentiate in Mechanical Engineering, Diploma in Business Management & Masters in Management Studies Exp. 29 years	08.03.1990	55	Graves Cotton & Co. Limited, Satpur, Nashik – Shop Floor Supervisor	Nil
Mr. Lalit Kumar Sharma *General Manager*	3.03	M.Com, Diploma in Sales & Marketing Management Exp. 32 Years	11.06.1987	57	Mahindra & Mahindra – MSL Division (Auto Components Unit)	Nil

Notes :

1. The remuneration received includes salary, commission, value of perquisites for accommodation and car as per Income Tax Rules, employer's contribution to Provident Fund and Superannuation Fund, reimbursement of medical expenses and all other allowances excluding contribution to gratuity fund and provision for compensated absences for which separate figures are not available.

2. *Mrs. Superna Motwane, spouse of Mr. Gaurav Motwane holds 37.65% Equity Shares in the Company.

Annexure 'G' to the Board's Report

SECRETARIAL AUDIT REPORT PURSUANT TO SECTION 204(1) OF THE COMPANIES ACT, 2013 AND RULE 9 OF THE COMPANIES (APPOINTMENT AND REMUNERATION TO MANAGERIAL PERSONNEL) RULES, 2014:

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

[*Pursuant to Section 2014(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration to Managerial Personnel) Rules, 2014*]

The Members,
MSL Driveline Systems Limited
CIN: U30007MH1994PLC081637
Unit No. 1506, 15th Floor, ONE BKC,
Bandra-Kurla Complex, Bandra (East),
Mumbai 400 051.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by MSL Driveline Systems Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(iv) The list of other laws applicable to the Company (Under the Major Group and Head) as stated below:

1. The Factories Act, 1960
2. The Industrial (Development & Regulation) Act, 1951
3. Labour Laws and other incidental laws related to labour and employees appointed by the Company as related to wages, gratuity, provident fund, ESIC, compensation etc.
4. Acts prescribed under prevention and control of pollution
5. Acts prescribed under Environmental protection
6. Acts as prescribed under Direct Tax and Indirect Tax
7. Land Revenue Laws
8. Local laws applicable to various branch offices

I have also examined compliance with the applicable clauses of Secretarial Standard issued by the Institute of Companies Secretaries of India.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

The Company has not complied with the provisions of FEMA/REBI pertaining to two overseas joint venture companies, which are liquidated as on the date of this report. We have been informed that the Company is in the process of complying with the pending reporting and seeking advices from the consultants on this matter.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors, except stated in the following paragraph. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

As per provisions of Section 149 of the Companies Act, 2013 read with relevant rules, the Company is required to appoint two independent directors on the Board of the Company. However, one of the directors of the Company retired from the directorship of the Company post completion of second term as the Independent Director with effect from March 31, 2019. Thus, as on date of reporting, the Company has only one independent director. However, pursuant to Rule 4 of Companies (Appointment and Qualification of Directors) 2014, the Company is required to appoint Independent Director at the earliest and not later than June 30, 2019.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no instances of events or actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

CS Vijay Tiwari
Vijay S. Tiwari & Associates
ACS No. 33084
C.P. No. 12220

May 29, 2019
Mumbai

Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MSL DRIVELINE SYSTEMS LIMITED

Report on the Ind AS financial statements

Opinion

We have audited the accompanying Ind AS financial statements of MSL Driveline Systems Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs),as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Other Information

The Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Board's report, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Ind AS Financial Statements

The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act based on our audit, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of the written representations received from the directors as on March 31, 2019 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

   In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act;

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 28 to the Ind AS financial statements;

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

      iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Dolphy D'Souza**
Partner
Membership Number : 038730

Mumbai,
29th May, 2019

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSL DRIVELINE SYSTEMS LIMITED

Annexure 1 referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our report of even date

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at March 31, 2019 and no material discrepancies were noticed in respect of such confirmation.

(i) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iii) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of Section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.

(iv) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(v) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products of the Company.

(vi) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities and there have been slight delays in case of provident fund and profession tax and serious delays in case of Income tax.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in '000)	Unpaid Amount (Rs. in '000)
(1)	(2)	(3)	(4)	(5)	(6)
Central Excise Act, 1944	Excise Duty	Appellate Authority up to Commissioner Level	1996-97	12.9	12.9
		Appellate Authority up to Commissioner Level	1997-98	55.0	55.0
		Additional Commissioner of Central Excise	1997-98	2.0	2.0
		Additional Commissioner of Central Excise	1999-00	2.4	2.4
		Additional Commissioner of Central Excise	2007-08	1,048.1	1,048.1
		Appellate Authority up to Commissioner Level	2000-05	17,131.1	17,131.1
Finance Act, 1994	Service Tax	Appellate Authority Up to Central Excise & Service Tax, Appellate Tribunal	2004-06	997.7	997.7
		Appellate Authority Up to Central Excise & Service Tax, Appellate Tribunal	2011-13	84.6	84.6
		Appellate Authority Up to Commissioner Level	2006-16	1,268.8	1,268.8
		Deputy Commissioner-Central GST & CX Nashik	2016-17	2,301.1	2,178.8
Maharashtra Value Added Tax, 2002	Value added Tax	Deputy Commissioner of Sales Tax	2012–13	400.0	400.0
		Deputy Commissioner of Sales Tax	2014-15	2,700.6	2,700.6
Income-tax Act, 1961	Income-tax	Assessing Officer	2008-09 to 2014-15	33,236.8	14,513.8

(vii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(viii) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised. The Company has not raised any money by way of initial public offer/further public offer (including debt instruments) during the year.

(ix) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

(x) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

(xi) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiii) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and hence not commented upon.

(xiv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.

(xv) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Dolphy D'Souza**
Partner
Membership Number : 038730

Mumbai,
29th May 2019

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSL DRIVELINE SYSTEMS LIMITED

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF MSL DRIVELINE SYSTEMS LIMITED

Report on the Internal Financial Controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of MSL Driveline Systems Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A Company's internal financial control over financial reporting with reference to these financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting with reference to these financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting with reference to these Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Dolphy D'Souza**
Partner
Membership Number : 038730

Mumbai,
29th May, 2019

Balance Sheet as at 31st March 2019

Rs. Million

	Particulars	Note	As at 31st March, 2019	As at 31st March, 2018
ASSETS				
Non-current assets :	(a) Property, plant and equipment	3(a)	**926.3**	890.6
	(b) Capital work-in-progress		**0.2**	0.5
	(c) Other intangible assets	3(b)	**10.5**	12.7
	(d) Intangible assets under development		**13.5**	2.1
	(e) Financial assets : Others	6	**17.2**	13.9
	(f) Other non-current assets	7	**104.1**	86.0
Total non-current assets			**1071.8**	1005.8
Current assets :	(a) Inventories	8	**995.5**	876.2
	(b) Financial assets : (i) Investments	4	**–**	–
	(ii) Trade receivables	9	**1,741.0**	1,624.7
	(iii) Cash and cash equivalents	5(a)	**46.6**	119.5
	(iv) Bank balances other than (iii) above	5(b)	**–**	–
	(v) Others	6	**0.8**	0.5
	(c) Other current assets	7	**74.8**	88.3
Total current assets			**2,858.7**	2,709.2
Total assets			**3,930.5**	**3,715.0**
EQUITY AND LIABILITIES				
EQUITY :	(a) Equity share capital	10(a)	**94.7**	100.8
	(b) Other equity (i) Retained Earnings	10(b)	**1683.2**	1,497.5
	(ii) Other Reserves	10(b)	**256.9**	250.8
Total equity			**2034.8**	1,849.1
LIABILITIES :				
Non-current liabilities	(a) Financial liabilities: (i) Borrowings	11	**35.0**	134.1
	(ii) Trade payables			
	(a) Total outstanding dues of micro enterprises and small enterprises	12	**–**	–
	(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	12	**57.8**	64.0
	(b) Long Term Provisions	13	**3.7**	6.9
	(c) Deferred tax liabilities (Net)	14(c)	**96.0**	93.9
Total non-current liabilities			**192.5**	298.9
Current liabilities	(a) Financial liabilities: (i) Borrowings	11	**398.7**	98.4
	(ii) Trade payables			
	(a) Total outstanding dues of micro enterprises and small enterprises	12	**210.8**	180.2
	(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	12	**887.4**	1,005.7
	(iii) Other current financial liabilities	16	**118.9**	157.1
	(b) Other current liabilities	17	**12.2**	34.1
	(c) Provisions	13	**65.6**	62.9
	(d) Liabilities for current tax (Net)	15	**9.6**	28.6
Total current liabilities			**1,703.2**	1,567.0
Total equity and liabilities			**3,930.5**	3,715.0
Summary of significant accounting policies		2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO. LLP
Chartered Accountants
ICAI Firm Regn. No.324982E / E300003
Per Dolphy D'Souza
Partner
Membership No.038730

Mumbai, May 29, 2019

For and on behalf of the Board of Directors
MSL Driveline Systems Limited

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Manish Choksi
Independent Director
(DIN 00026496)

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, May 29, 2019

Statement of Profit and Loss for the year ended 31st March, 2019

Rs. Million

Particulars	Note	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Revenue from operations	18	**6,564.0**	5,639.5
Other income	19	**37.5**	18.9
Finance income	20	**1.7**	5.2
Total Income		**6,603.2**	5,663.6
Expenses			
(a) Cost of raw materials and components consumed	21(a)	**4,421.0**	3,866.4
(b) Purchase of traded goods	21(b)	**87.7**	49.2
(c) (Increase)/Decrease in inventories of finished goods & work-in-progress	21(c)	**(73.2)**	(242.3)
(d) Excise duty on sale of goods (including scrap sales)		**-**	130.5
(e) Employee benefits expense	22	**570.2**	535.1
(f) Depreciation & amortisation expenses	24	**116.0**	103.9
(g) Finance costs	23	**31.9**	25.1
(h) Other expenses	25	**691.1**	633.3
Total Expenses		**5,844.7**	5,101.2
Profit before tax		**758.5**	562.4
Tax expense : (1) Current tax	14(a)	**262.1**	191.0
(2) Deferred tax	14(a)	**2.8**	1.6
Total tax expense		**264.9**	192.6
Profit for the year		**493.6**	369.8
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
– Re-measurement gains/losses) of the defined benefit plans	26	**(1.8)**	(8.3)
– Income tax effect	14(b)	**0.6**	2.9
Other Comprehensive Income for the year, net of tax		**(1.2)**	(5.4)
Total Comprehensive Income for the year		**492.4**	364.4
Earnings per equity share (in Rs.) – **Basic & Diluted**	32	**50.25**	35.18
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S R B C & CO. LLP
Chartered Accountants
ICAI Firm Regn. No.324982E / E300003
Per Dolphy D’Souza
Partner
Membership No. 038730

Mumbai, May 29, 2019

For and on behalf of the Board of Directors
MSL Driveline Systems Limited

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Manish Choksi
Independent Director
(DIN 00026496)

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, May 29, 2019

Cash Flow Statement for the year ended 31st March 2019

Rs. Million

	Particulars	For the year ended 31st March, 2019		For the year ended 31st March, 2018	
A	**Cash flow from operating activities:**				
	Profit before tax for the year		**758.5**		562.4
	Adjustments for:				
	Depreciation and amortisation expense	**116.0**		103.9	
	Excess provision written back	**(3.0)**		–	
	Provision for slow-moving and non-moving inventory	**21.0**		19.7	
	Dividend Income	**(0.6)**		(0.8)	
	Interest Income	**(1.1)**		(4.4)	
	Net unrealised exchange loss/(gain)	**8.4**		(3.5)	
	Finance costs	**31.9**		25.1	
	Loss/ (gain) on sale of Property, Plant and equipment (net)	**(0.5)**		2.4	
	Provision for diminution in value of investments	**–**		0.4	
	Provision for doubtful debts	**–**		7.1	
			172.1		149.9
	Operating Profit before Working Capital Changes		**930.6**		712.3
	Changes in working capital:				
	Adjustments for (increase)/decrease in operating assets				
	Inventories	**(140.3)**		(344.3)	
	Trade and Other Receivables	**(127.4)**		(382.7)	
	Other assets	**8.7**		14.7	
	Adjustments for increase/(decrease) in operating liabilities				
	Trade payables	**(88.4)**		514.5	
	Provision	**(1.4)**		(1.1)	
	Other liabilities	**(29.0)**		(25.2)	
			(377.8)		(224.1)
	Cash generated from operations		**552.8**		488.2
	Net income tax (Paid)		**(290.1)**		(169.8)
	Net cash flow from operating activities (A)		**262.7**		318.4

Contd…

Rs. Million

			For the year ended 31st March, 2019		For the year ended 31st March, 2018
B.	**Cash flow from investing activities:**				
	Purchase of Property, plant and equipment (Net)		**(182.6)**		(115.7)
	Proceeds from disposal of Property, plant and equipment (Net)		**2.7**		1.7
	Fixed Deposits matured		**–**		90.0
	Purchase of current investments		**(545.0)**		(690.0)
	Sale of current investments		**545.0**		690.0
	Interest Income		**1.1**		5.8
	Dividend Income		**0.6**		0.8
	Net cash used from investing activities (B)		**(178.2)**		(17.4)
C	**Cash flow from financing activities :**				
	Buy Back of equity shares		**(250.0)**		(250.0)
	Tax on Buy Back of equity shares		**(56.8)**		(57.7)
	Repayment of borrowing		**(124.1)**		(30.1)
	Interest paid		**(26.9)**		(28.8)
	Net cash used in financing activities (C)		**(457.8)**		(366.6)
	Net decrease in Cash and cash equivalents (A+B+C)		**(373.3)**		(65.6)
	Cash and cash equivalents at the beginning of the year		**21.7**		87.3
	Less: Effect of exchange differences on restatement of foreign currency cash and cash equivalents		**(0.5)**		–
	Cash and cash equivalents at the end of the year		**(352.1)**		21.7
Reconciliation of Cash and cash equivalents with the Balance Sheet:					
Cash and cash equivalents as per Balance Sheet					
1	Cash in Hand [Refer Note 5(a)(b)]		**0.6**		0.2
2	Loan repayable on demand [Refer Note 11]	**(398.7)**		(97.8)	
3	Balances with Banks [Refer Note 5(a)(a)]				
	i) In current accounts	**27.7**		89.2	
	ii) EEFC account	**18.3**		30.1	
			(352.7)		21.5
			(352.1)		21.7

Cash flow statement has been prepared as per the indirect method set out in Indian Accounting Standard 7 “Statement of Cash Flows”.

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO. LLP

Chartered Accountants

ICAI Firm Regn. No.324982E / E300003

Per Dolphy D’Souza

Partner

Membership No. 038730

Mumbai, May 29, 2019

For and on behalf of the Board of Directors

MSL Driveline Systems Limited

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Manish Choksi
Independent Director
(DIN 00026496)

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, May 29, 2019

Statement of Changes in Equity for the year ended 31st March, 2019

(A) Equity Share Capital

Particulars	No. in Million	Rs. Million
a. Equity Share Capital		
Equity shares of INR 10 each issued, subscribed and fully paid as at 1st April, 2018	**10.1**	**100.8**
Buy back of shares [Note No.10(a)]	**(0.6)**	**(6.1)**
Balance as at 31st March, 2019	**9.5**	**94.7**

(B) Other equity for the year ended March 31, 2019

Rs. Million

Particulars	Capital reserve	Capital Redemption reserve	General reserve	Retained earnings	Total
Balance as at 1st April, 2018	**2.0**	**9.2**	**239.6**	**1,497.5**	**1,748.3**
Profit for the year	–	–	–	**493.7**	**493.7**
Other comprehensive income (net of tax)	–	–	–	**(1.2)**	**(1.2)**
Total comprehensive income	–	–	–	**492.5**	**492.5**
Buy back of Shares	–	–	–	**(243.9)**	**(243.9)**
Distribution Tax on shares bought back	–	–	–	**(56.8)**	**(56.8)**
Transfer from Retained Earnings	–	–	**6.1**	–	**6.1**
Transfer to Capital Redemption Reserve	–	–	–	**(6.1)**	**(6.1)**
Balance as at 31st March, 2019	**2.0**	**9.2**	**245.7**	**1,683.2**	**1,940.1**
Balance as at 1st April, 2017	2.0	–	239.6	1,440.8	1,682.4
Profit for the year	–	–	–	369.8	369.8
Other comprehensive income (net of tax)	–	–	–	(5.4)	(5.4)
Total comprehensive income	–	–	–	364.4	364.4
Buy back of Shares	–	–	–	(240.8)	(240.8)
Tax on Buy back of Shares	–	–	–	(57.7)	(57.7)
Transfer from Retained Earnings	–	9.2	–	–	9.2
Transfer to Capital Redemption Reserve	–	–	–	(9.2)	(9.2)
Balance as at 31st March, 2018	2.0	9.2	239.6	1,497.5	1,748.3

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S R B C & CO. LLP
Chartered Accountants
ICAI Firm Regn. No.324982E / E300003
Per Dolphy D'Souza
Partner
Membership No. 038730

Mumbai, May 29, 2019

For and on behalf of the Board of Directors
MSL Driveline Systems Limited

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Manish Choksi
Independent Director
(DIN 00026496)

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, May 29, 2019

Notes to the financial statements for the year ended 31st March, 2019

Note 1 CORPORATE INFORMATION

MSL Driveline Systems Limited ('the company') is a public company domiciled in India and is incorporated under the provisions of the Companies Act, 1956. The Company is a closely held company. The registered office of the Company is located at Unit 1506, 15th floor, One BKC, Bandra Kurla Complex, Bandra (East), Mumbai 400051.

The Company is engaged in manufacturing and selling of Auto Components including Propeller Shafts, Clutch Set and Universal Joints. The Company caters to both domestic and international markets. The Company also trades in steel and metal.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of division II of schedule III to the Companies Act, 2013, (Ind AS compliant schedule III), as applicable.

The financial statements have been prepared on accrual basis and under historical cost basis, except for the following assets and liabilities which have been measured at fair value:

– Derivative financial instruments

– Certain financial assets and liabilities measured at fair value. Refer to the accounting policy on financial instruments in section (p) financial instruments.

The financial statements are presented in Indian Rupee ("INR") which is also the Company's functional currency and all values are rounded to the nearest million, except when otherwise indicated.

2.2 Summary of significant accounting policies

a. Current versus non-current classification

The company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

Notes to the financial statements for year ended 31st March, 2019

b. Foreign currencies

The Company's financial statements are presented in INR, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded by the company at its functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

c. Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities.

At each reporting date, the Company's management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company's management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Quantitative disclosures of fair value measurement hierarchy (note 37)
- Financial instruments (including those carried amortised cost) (note 4, 5(a), 5(b), 6, 9, 11, 12 and 16)

d. Revenue from contract with customer

Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.3.

Sale of goods

Revenue from sale of goods are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 - 150 days in respect of export customers and 30 - 90 days from the date of delivery of goods in respect of domestic customers.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, rebates, etc.). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer, if any.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

- **Rights of return**

  Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in Ind AS 115 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset and corresponding adjustment to change in inventory is also recognised for the right to recover products from a customer.

- **Volume rebates**

  The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method (OEM, with whom we don't have any contract) and the expected value method for contracts with more than one volume threshold (Dealers). The Company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

Notes to the financial statements for year ended 31st March, 2019

(ii) Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good to the customer and when the customer pays for that good will be one year or less.

(iii) Warranty obligations

The Company typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section (n) Provisions.

Contract balances

- **Contract assets**

  A contract asset is the right to consideration in exchange for goods transferred to the customer other than passage of time. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

- **Trade receivables**

  A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

- **Contract liabilities**

  A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Interest income

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Dividends

Revenue is recognised when the Company's right to receive the payment is established.

Notes to the financial statements for year ended 31st March, 2019

e. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

f. Export Benefits

The benefit accrued under the Duty Drawback, Merchandise Export Incentive Scheme and other schemes as per the Import and Export Policy in respect of exports made under the said schemes is included as ‘Export Incentives' under the head ‘Other operating revenue'.

g. Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with the Income-tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales/value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/ value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

h. Property, plant and equipment

Capital work in progress is stated at cost, net of accumulated impairment loss, if any. Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and accumulated impairment, if any. Cost includes financing cost relating to borrowed funds attributable to the construction or acquisition of qualifying tangible assets up to the date assets are ready for use. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Notes to the financial statements for year ended 31st March, 2019

When an item of property, plant and equipment is scrapped or otherwise disposed of, the cost and related depreciation are removed from the books of account and resultant profit or loss, if any, is reflected in the Statement of Profit and Loss.

The company, based on technical assessment made by technical expert and management estimate, depreciates certain items of plant and equipment over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The estimated useful lives, residual values, are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is calculated on Straight Line method over the estimated useful life of all assets. These lives are in accordance with Schedule II to the Companies Act, 2013

Estimated useful life of the assets are as follows:

Nature of tangible Assets	**Useful Life (years)**
Buildings	28- 30
Plant and equipment	3 to 15
Furniture and fixtures	10
Vehicles	8
Office equipment	5-10
Lease improvement	Over the period of lease

i. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits

Notes to the financial statements for year ended 31st March, 2019

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Company's intangible assets are as follows:

Intangible assets	Useful lives	Amortisation method used	Internally generated or acquired
Computer Software	3 years	Amortised on a straight-line basis over the useful life	Acquired
Development costs	5 years	Amortised on a straight-line basis over the useful life	Internally generated

j. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Notes to the financial statements for year ended 31st March, 2019

k. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

l. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. Refer to the accounting policy on the borrowing costs in section (k) borrowing cost. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

m. Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Raw materials, Stores and spares, packing materials:** cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on moving weighted average basis. However, the aforesaid items are not valued below cost if the finished products in which they are to be incorporated are expected to be sold at or above cost.
- **Finished goods and work in progress:** cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on moving weighted average basis.
- **Traded goods:** cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the financial statements for year ended 31st March, 2019

n. Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

o. Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

Superannuation Fund is a defined contribution scheme and contributions to the scheme are charged to the statement of profit and loss in the year when an employee renders the related service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The Company operates a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund. Every employee who has completed five years or more of service get a gratuity on post-employment at 15 days salary (last drawn salary) for each completed year of service as per the rules of the Company. The aforesaid liability is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The Company has other long-term employee benefits in the nature of leave encashment. The liability in respect of leave encashment is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year. The aforesaid leave encashment is funded with an insurance Company in the form of a qualifying insurance policy.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

p. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost

Notes to the financial statements for year ended 31st March, 2019

- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Notes to the financial statements for year ended 31st March, 2019

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., deposits and trade receivables.
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind-AS 18.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- Other Receivable

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'finance cost' in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and other receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

Gains or losses on liabilities held for trading are recognised in the profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Notes to the financial statements for year ended 31st March, 2019

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

q. Derivative financial instruments

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, full currency swaps and interest rate swaps contracts to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

r. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, loan repayable on demand (from bank) and net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

s. Cash dividend

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

t. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the company (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders of the company and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

u. Contingent Liability and Contingent assets

Contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non—occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Notes to the financial statements for year ended 31st March, 2019

A contingent assets is not recognised unless it becomes virtually certain that an inflow of economic benefits will arise. When an inflow of economic benefits is probable, contingent assets are disclosed in the financial statements.

Contingent liabilities and contingent assets are reviewed at each balance sheet date.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Company determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non- financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

Taxes

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the current and deferred tax provisions in the period in which the tax determination is made.

The assessment of probability involves estimation of a number of factors including future taxable income.

Notes to the financial statements for year ended 31st March, 2019

Defined benefit plans (gratuity benefits)

A liability in respect of defined benefit plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the plan's assets. The present value of the defined benefit obligation is based on expected future payments which arise from the fund at the reporting date, calculated annually by independent actuaries. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Refer note 29 for details of the key assumptions used in determining the accounting for these plans.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Intangible asset under development

The Company capitalises intangible asset under development for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31st March, 2019, the carrying amount of capitalised intangible asset under development was Rs. 13.5 million (31st March, 2018: Rs. 2.1 million). This amount includes significant investment in the development of Propellor shaft and Clutch set.

Estimating variable consideration for returns and volume rebates

The Company estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates.

The Company's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date. Right of return are analysed for the Company as a whole due to past experience of the Company having similar range of right to return for each customer.

The Company updates its assessment of expected returns and volume rebates annually and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Company's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31st March, 2019, the amount recognised as refund liabilities for the expected returns and volume rebates was Rs. 75.8 million (31st March, 2018: Rs. 65.1 million)

Provision against obsolete and slow-moving inventories

The Company reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Company estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Company carries out an inventory review at each balance sheet date and makes provision against obsolete and slow-moving items. The Company reassesses the estimation on each balance sheet date.

Impairment of financial assets

The Company assesses impairment based on expected credit losses (ECL) model on trade receivables.

The Company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Standards issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are discussed below. The Company intends to adopt these standards, if applicable when they become effective.

Notes to the financial statements for year ended 31st March, 2019

Ind AS 116 – Leases

Ind AS 116 on leases was notified on 30th March 2019 by the Ministry of Corporate Affairs (MCA), under Companies(Indian Accounting Standards) Amendment Rules, 2019 which is applicable with effect from 1st April,2019. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires the lessee to account for all leases under a single on balance sheet model like the accounting for finance leases under Ind AS 17. The Company is currently under process of evaluating the requirements of this standard and its impact on its financial statements.

Ind AS 19- Plan Amendment, Curtailment or Settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In Addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company will apply the pronouncement if any of the events specified above occurs.

Ind AS 23- Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The above amendments are applicable for periods beginning on or after 1 April 2019, the Company does not expect any impact from this amendment.

Ind AS 12- Income taxes (Amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over Income tax treatments under Ind As-12. The interpretation is effective for annual reporting periods beginning on or after 1 April 2019, but certain transition reliefs are available. The Company does not expect any significant impact of the amendment on its financial statements.

Note 3 (a) Property, Plant and Equipment

Rs. Million

Particulars	Buildings	Plant and equip-ment	Furniture and fixtures	Vehicles	Office equip-ment	Lease improve-ment	Total
I. Cost							
Balance as at 1st April, 2018	290.3	1,205.0	27.6	28.8	8.5	17.8	1,578.0
Additions	28.8	105.1	4.4	9.7	1.2	–	149.2
Disposals	(1.3)	(8.7)	(0.2)	(3.8)	–	–	(14.0)
Balance as at 31st March, 2019	**317.8**	**1,301.4**	**31.8**	**34.7**	**9.7**	**17.8**	**1,713.2**
II. Accumulated depreciation							
Balance as at 1st April, 2018	62.9	594.8	10.8	8.6	5.8	4.5	687.4
Depreciation expense for the year	10.4	87.6	2.9	3.7	1.0	5.3	110.9
Eliminated on disposal of assets	(0.4)	(8.1)	(0.1)	(2.8)	–	–	(11.4)
Balance as at 31st March, 2019	**72.9**	**674.3**	**13.6**	**9.5**	**6.8**	**9.8**	**786.9**
Net Book Value (I – II)							
Balance as at 31st March, 2019	**244.9**	**627.1**	**18.2**	**25.2**	**2.9**	**8.0**	**926.3**
Balance as at 31st March, 2018	227.4	610.2	16.8	20.2	2.7	13.3	890.6

Notes to the financial statements for year ended 31st March, 2019

Rs. Million

Particulars	Buildings	Plant and equip-ment	Furniture and fixtures	Vehicles	Office equip-ment	Lease improve-ment	Total
I. Cost							
Balance as at 1st April, 2017	290.3	1,145.5	24.3	19.5	7.0	7.8	1,494.4
Additions	–	68.8	3.5	15.1	1.5	10.0	98.9
Disposals	–	(9.3)	(0.2)	(5.8)	–	–	(15.3)
Balance as at 31st March, 2018	290.3	1,205.0	27.6	28.8	8.5	17.8	1,578.0
II. Accumulated depreciation							
Balance as at 1st April, 2017	52.8	520.7	8.5	10.1	4.9	1.4	598.4
Depreciation expense for the year	10.1	81.3	2.4	2.5	0.9	3.1	100.3
Eliminated on disposal of assets	–	(7.2)	(0.1)	(4.0)	–	–	(11.3)
Balance as at 31st March, 2018	62.9	594.8	10.8	8.6	5.8	4.5	687.4
Net Book Value (I – II)							
Balance as at 31st March, 2018	227.4	610.2	16.8	20.2	2.7	13.3	890.6
Balance as at 31st March, 2017	237.5	624.8	15.8	9.4	2.1	6.4	896.0

1. Term loan is secured by first pari passu charge over movable Property, plant and equipment (present and future) of the Company. Refer note 11 for details of security.
2. Value of Property, plant and equipment such as tools and equipments lying with sub-contractors are as under :

Rs. Million

Particulars	31st March, 2019	31st March, 2018
Gross Block	**25.6**	25.4
Less : Accumulated Depreciation	**18.4**	17.7
Net Block	**7.2**	7.7

Note 3 (b) Intangible Assets :

Rs. Million

Particulars	Computer software – (acquired)	Internally generated development expenditure	Total
I. Cost			
Balance as at 1st April, 2018	31.0	11.5	42.5
Additions	2.2	0.7	2.9
Disposals	–	–	–
Balance as at 31st March, 2019	**33.2**	**12.2**	**45.4**
II. Accumulated amortisation			
Balance as at 1st April, 2018	26.5	3.3	29.8
Amortisation expense for the year	2.3	2.8	5.1
Eliminated on disposal	–	–	–
Balance as at 31st March, 2019	**28.8**	**6.1**	**34.9**
Net Book Value (I – II)			
Balance as at 31st March, 2019	**4.4**	**6.1**	**10.5**
Balance as at 31st March, 2018	4.5	8.2	12.7

Notes to the financial statements for year ended 31st March, 2019

Rs. Million

Particulars	Computer software – (acquired)	Internally generated development expenditure	Total
I. Cost			
Balance as at 1st April, 2017	27.5	7.9	35.4
Additions	3.5	3.6	7.1
Disposals	–	–	–
Balance as at 31st March, 2018	**31.0**	**11.5**	**42.5**
II. Accumulated amortisation			
Balance as at 1st April, 2017	24.8	1.5	26.3
Amortisation expense for the year	1.7	1.8	3.5
Eliminated on disposal	–	–	–
Balance as at 31st March, 2018	**26.5**	**3.3**	**29.8**
Net Book Value (I – II)			
Balance as at 31st March, 2018	**4.5**	**8.2**	**12.7**
Balance as at 1st April, 2017	2.7	6.4	9.1

Note 4 Investments :

Particulars	**As at 31st March, 2019**		As at 31st March, 2018	
	Nos.	**Rs. Million**	Nos.	Rs. Million
Current				
Investments at cost				
Investments in Equity Instruments				
Investment in associates				
i) US $ 1 per share in Sona Autocomp Inc. (fully paid unquoted investment)	**24,000**	**1.4**	24,000	1.4
Less: Provision for diminution in value of investment		**(1.4)**		(1.4)
Net Value (A)		**–**		–
ii) EURO 1 per share in Sona Autocomp Europe (fully paid unquoted investment)	**12,000**	**0.4**	12,000	0.4
Less: Provision for diminution in value of investment		**(0.4)**		(0.4)
Net Value (B)		**–**		–
Total (A + B)		**–**		–

1. Sona Autocomp Inc. and Sona Autocomp Europe have been dissolved in FY 2013-14 and FY 2014-15 respectively. The Company is not expecting any recoverability from these investments post dissolution and have been fully provided in the books of accounts.
2. The Company is in process of completing formalities with Reserve Bank of India in connection with the investments made in the said associate companies.

Notes to the financial statements for year ended 31st March, 2019

Note 5 (a) Cash and Cash Equivalents :

Rs. Million

Particulars		**As at 31st March, 2019**	As at 31st March, 2018
(a)	Balances with banks:		
	i) On current accounts	**27.7**	89.2
	ii) On EEFC account	**18.3**	30.1
(b)	Cash in hand	**0.6**	0.2
	Total	**46.6**	119.5

(b) Other Bank Balances

Rs. Million

Particulars	**As at 31st March, 2019**			As at 31st March, 2018		
	Non-current	**Current**	**Total**	Non-current	Current	Total
In deposit accounts						
Earmarked deposit *	**–**	**–**	**–**	–	–	–
Total	**–**	**–**	**–**	–	–	–

For the purpose of statement of cash flows, cash and cash equivalents comprises the following:

Rs. Million

Particulars		**As at 31st March, 2019**	As at 31st March, 2018
(a)	Balances with banks:		
	i) On current accounts	**27.7**	89.2
	ii) On EEFC account	**18.3**	30.1
	iii) Earmarked deposit*	**–**	–
(b)	Cash in hand	**0.6**	0.2
	Total	**46.6**	119.5
Less : Loan repayable on demand and Bank Overdraft		**(398.7)**	(97.8)
	Total Cash and Cash equivalents	**(352.1)**	21.7

* Represents fixed deposit of **Rs.75,000** (2018 : Rs.75,000) in the name of CTO CIRCLE PITHAMPUR A/C MAHINDRA SONA LIMITED for 5 years towards Madhya Pradesh Central Sales Tax Registration.

Notes to the financial statements for year ended 31st March, 2019

Note 6 Other Financial Assets

Rs. Million

Particulars	As at 31st March, 2019			As at 31st March, 2018		
	Non-current	**Current**	**Total**	Non-current	Current	Total
Financial assets at amortised cost						
Interest receivable						
Interest accrued but not due on deposits	**–**	**0.8**	**0.8**	–	0.5	0.5
Security deposits						
Unsecured, considered good	**17.2**	**–**	**17.2**	13.9	–	13.9
Total	**17.2**	**0.8**	**18.0**	13.9	0.5	14.4

Break up of financial assets carried at amortised cost

Rs. Million

Particulars	As at 31st March, 2019	As at 31stMarch, 2018
Trade Receivables (Note 9)	**1,741.0**	1,624.7
Cash and cash equivalents (Note 5)	**(352.1)**	21.7
Other Financial assets	**18.0**	14.4
Total	**1,406.9**	1,660.8

Note 7 Other Non–current and Current Assets

Rs. Million

Particulars	As at 31st March, 2019			As at 31st March, 2018		
	Non–current	**Current**	**Total**	Non–current	Current	Total
(a) Capital Advances						
Unsecured, considered good	**24.7**	**–**	**24.7**	11.0	–	11.0
(b) Security deposits						
Unsecured, considered good	**1.0**	**–**	**1.0**	2.2	–	2.2
(c) Balances with statutory / government authorities (other than income taxes) (Refer Note 31)						
(i) CENVAT credit receivable	**–**	**0.1**	**0.1**	–	7.9	7.9
(ii) VAT receivable	**–**	**–**	**–**	–	0.5	0.5
(iii) Service tax credit receivable	**–**	**–**	**–**	–	6.0	6.0
(iv) Custom Duty	**–**	**11.3**	**11.3**	–	–	–
(v) GST credit receivable	**–**	**0.9**	**0.9**	–	–	–
(d) Advance income tax [Net of provision **Rs.576.2 million** (31st March, 2018 : Rs.382.6 milion)]	**33.0**	**–**	**33.0**	28.9	0.9	29.8
(e) Prepayments (Refer Note a below)	**41.7**	**11.5**	**53.2**	43.9	12.3	56.2
(f) Deferred CENVAT credit receivable (Refer Note 31)	**–**	**–**	**–**	–	0.5	0.5
(g) Advances (Refer Note b)	**–**	**0.7**	**0.7**	–	–	–
(h) Others : Insurance claims / Export benefits	**–**	**30.7**	**30.7**	–	41.5	41.5
Surplus of plan assets over obligation - Gratuity	**3.7**	**–**	**3.7**	–	–	–
Advance to suppliers and others	**–**	**19.6**	**19.6**	–	18.7	18.7
Total	**104.1**	**74.8**	**178.9**	86.0	88.3	174.3

Notes to the financial statements for year ended 31st March, 2019

Note (a) Prepayments

Rs. Million

Particulars	As at 31st March, 2019			As at 31st March, 2018		
	Non–current	**Current**	**Total**	Non–current	Current	Total
Lease Rent	**36.2**	**1.3**	**37.5**	37.4	1.3	38.7
Others	**5.5**	**10.2**	**15.7**	6.5	11.0	17.5
Total	**41.7**	**11.5**	**53.2**	43.9	12.3	56.2

Note (b) Advances

During the year, the Company has given advance of Rs. 0.7 million (USD 10,000) to newly incorporated entity 'MSL North America Inc.'.

Note 8 Inventories

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
(a) Raw materials (at cost) [Refer Note (i) below]	**253.4**	228.9
(b) Work-in-progress (at cost)	**415.8**	395.0
(c) Finished goods (at lower of cost and net realizable value [Refer Note (i) below]	**267.0**	214.5
(d) Stores and spares (at cost)	**5.4**	8.5
(e) Loose tools (at cost)	**53.9**	29.3
Total	**995.5**	876.2

Notes:

(i) Included above, goods-in-transit

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
Raw materials	**23.6**	45.9
Finished goods	**199.4**	185.5

(ii) The cost of inventories recognised as an expense during the year **Rs.4,435.5 Million** (2018 : Rs.3,673.3 Million).

(iii) The cost of inventories recognised as an expense during the year ended 31st March, 2019 includes **Rs.1.4 Million** (2018 : Rs.7.4 Million) in respect of provision for slow and non moving inventory and write-down of inventory to net realisable value.

Notes to the financial statements for year ended 31st March, 2019

Note 9 Trade Receivable

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
Trade Receivable		
Secured considered good	–	–
Unsecured, considered good	**1,741.0**	1,624.7
Trade Receivables which have significant increase in credit Risk	–	–
Trade Receivables - credit impaired	**13.6**	13.6
	1,754.6	1,638.3
Impairment Allowance (allowance for bad and doubtful debts)		
Unsecured, considered good	–	–
Trade Receivables which have significant increase in credit Risk	–	–
Trade Receivables - credit impaired	**(13.6)**	(13.6)
Total	**1,741.0**	1,624.7

(i) No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

(ii) The Company is engaged in manufacturing and selling of Propeller shafts, Components & Clutch sets which are customers specific. Credit period varies from customer to customer. Average credit period in case of export customers is 30 - 150 days and in case of domestic customers 30 - 90 days from the date of receipt of goods.

Note 9 (a) Movement in the expected credit loss

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
Balance at beginning of the year	–	–
Expected credit loss allowance on trade receivables	**(13.6)**	(13.6)
Reversal of Expected credit losses on trade receivables	–	–
Balance at end of the year	**(13.6)**	(13.6)

Note 10 (a) Equity Share Capital

Particulars	Nos.	Rs. Million
A) Authorised:		
Equity shares of Rs.10 each		
As at 1st April 2017	17,000,000	170.0
Increase/(decrease) during the year	–	–
As at 31st March 2018	17,000,000	170.0
Increase/(decrease) during the year	–	–
As at 31st March 2019	**17,000,000**	**170.0**

Notes to the financial statements for year ended 31st March, 2019

Particulars	Nos.	Rs. Million
B) Issued equity capital :		
Equity Shares of Rs.10 each issued, subscribed and fully paid		
As at 1st April 2017	11,000,004	110.0
Increase/(decrease) during the year	(916,689)	(9.2)
As at 31st March 2018	10,083,315	100.8
Increase/(decrease) during the year	(609,755)	(6.1)
As at 31st March 2019	**9,473,560**	**94.7**

Notes :

(i) The Company has bought back **609,755 equity shares** (31st March, 2018 : 916,689 equity shares) during the year ended 31st March, 2019 at buy-back price determined at **Rs.410.0 per share** (31st March, 2018 : Rs.272.7 per share). The board of directors and shareholders of the company approved the buyback of 6,09,755 Equity shares on 5th June, 2018 and 11th September, 2018 respectively.

(ii) The Company has not allotted any equity shares pursuant to contracts without payment being received in cash.

(iii) **Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs.10 each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive remaining assets of the Company, after the distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iv) **Details of shareholders holding more than 5% shares in the Company**

Particulars	**As at 31st March, 2019**		As at 31st March, 2018	
	Nos.	**% Holding**	Nos.	% Holding
MSona Automotive Components Private Limited	**3,531,054**	**37.3%**	3,758,327	37.3%
Ms. Superna Motwane	**3,567,254**	**37.7%**	3,796,857	37.7%
Khattar Holdings Private Limited	**1,359,732**	**14.4%**	1,447,250	14.4%

Note 10 (b) Other Equity :

Rs. Million

Particulars	Capital reserve	General reserve	Capital Redemption Reserve	Retained earnings	Total
Balance as at 1st April, 2018	2.0	239.6	9.2	1,497.5	1,748.3
Profit for the year	–	–	–	493.7	493.7
Other comprehensive income (net of deferred income tax)	–	–	–	(1.2)	(1.2)
Buyback Shares	–	–	–	(243.9)	(243.9)
Distribution Tax on shares bought back	–	–	–	(56.8)	(56.8)
Transfer from Retained Earnings	–	–	6.1	–	6.1
Transfer to Capital Redemption Reserve	–	–	–	(6.1)	(6.1)
Balance as at 31st March, 2019	**2.0**	**239.6**	**15.3**	**1,683.2**	**1,940.1**

Notes to the financial statements for year ended 31st March, 2019

Note 10 (b) Other Equity :

Rs. Million

Particulars	Capital reserve	General reserve	Capital Redemption Reserve	Retained earnings	Total
Balance as at 1st April, 2017	2.0	239.6	–	1,440.8	1,682.4
Profit for the year	–	–	–	369.8	369.8
Other comprehensive income (net of deferred income tax)	–	–	–	(5.4)	(5.4)
Buy back Shares	–	–	–	(240.8)	(240.8)
Distribution Tax on shares bought back	–	–	–	(57.7)	(57.7)
Transfer from Retained Earnings	–	–	9.2	–	9.2
Transfer to Capital Redemption Reserve	–	–	–	(9.2)	(9.2)
Balance as at 31st March, 2018	**2.0**	**239.6**	**9.2**	**1,497.5**	**1,748.3**

Nature and purpose of reserves

i) Capital reserve -

a) Amount of Rs.0.9 million represents octroi refund granted for the period 1st April, 1995 to 31st March, 1998 on plant and machinery purchased during the FY 1998-99. This refund was sanctioned in FY 2000-2001 under the State Government's incentive scheme.

b) Amount of Rs.1.1 million was created on account of Amalgamation of DRSK Management Services Private Limited (shareholder of the Company, then) into the company during the Financial Year 2011-12.

ii) General reserve -

The erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income in accordance with applicable regulations. The purpose of these transfers was to ensure that if a dividend distribution in a given year is more than 10% of the paid-up capital of the Company for that year, then the total dividend distribution is less than the total distributable results for that year. Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of Companies Act, 2013.

iii) Capital redemption reserve -

Capital redemption reserve was created on account of buy back of equity shares.

Note 11 Borrowings

Rs. Million

Particulars	**As at 31st March, 2019**	As at 31st March, 2018
Non Current Borrowings	**–**	–
Term Loan from Bank (Secured)		
i) in Indian currency [Refer note (i) below]	**140.0**	70.0
ii) in foreign currency [Refer note (i) below]	**–**	194.1
Less : Current maturities of long term debt (Refer note 16)	**(105.0)**	130.0
Total non-current borrowings	**35.0**	134.1
Current Borrowings		
Bank loan (Secured)		
Loan repayable on demand (Refer note (ii) below)	**310.0**	97.8
Bank overdrafts (Refer note (iii) below)	**88.7**	0.6
Total current borrowings	**398.7**	98.4
Aggregate secured loans	**433.7**	232.5

Notes to the financial statements for year ended 31st March, 2019

Note :

(i) The Company had taken following foreign currency term loans during the Financial Year 2015-16 and 2016-17. The term loans are repayable in full (bullet) after 24 months of drawdown which is mentioned in the below table :

Table 1 – Repayment in full (Bullet)

No.	Disbursement date	Repayment date	USD Amount	INR Amount	Interest Rate p.a. after RTL conversion
1.	29th February, 2016	28th February, 2018	1,459,811	100,000,000	8.95%
2.	5th July, 2016	3rd July, 2018	1,480,604	100,000,000	8.95%
3.	26th September, 2016	24th September, 2018	1,498,127	100,000,000	8.70%

The above term loans are secured by first *pari-passu* charge over movable fixed assets (present and future) of the Company.

During the Financial Year 2017-18 and 2018-19, the Company has converted foreign currency term loans fully into rupee term loans (RTL). Accordingly, upon conversion into RTL, Company has paid 30% of the total outstanding at the end of 24 months and balance will be repayable in 8 equal quarterly installments starting from date of conversion. Refer below repayment schedule of RTL :

Table 2 – Repayment schedule of Rupee Term Loan
Rs. Million

	2020	2021	Total
Q1	26.3	17.5	43.8
Q2	26.3	17.5	43.8
Q3	26.3	–	26.3
Q4	26.3	–	26.3
Total	**105.2**	**35.0**	**140.2**

(ii) Loan repayable on demand include Pre- Shipment Credit in Indian Rupee (PCRE) and Pre-Shipment Credit In Foreign Currency Loan (PCFC). Both these loans are secured by a first *pari-passu* charge on the Company's present and future stocks and book debts. Below is the schedule of PCRE and PCFC loan taken by the Company :

Rs. Million

No.	Disbursement date	Repayment date	Type of loan	31st March, 2019	31st March, 2018	Interest Rate p.a.
1	17th March, 2018	31st July, 2018	PCFC	–	97.0	4.45%
2	06th July, 2018	4th January, 2019	PCFC	68.7	–	6.00%
3	12th September, 2018	12th March, 2019	PCRE	150.0	–	6.00%
4	16th January, 2019	15th May, 2019	PCRE	70.0	–	6.50%
5	8th March, 2019	4th July, 2019	PCRE	90.0	–	6.60%
6	12th March, 2019	22nd July, 2019	PCRE	150.0	–	6.50%
	Total			**528.7**	**97.0**	

(iii) Bank overdraft represents Cash Credit facility with ICICI Bank. The cash credit limit provided by the bank is Rs.200 million (31st March, 2018 : Rs.150 million). The interest is payable at the rate of 10.40% (31st March, 2018 : 10.00%). The Bank Overdraft is secured by first pari-passu charge created on Company's current assets. This facility is valid upto 31st March, 2019 which can be further extended by the bank as per the request that may be made by the Company. The bank overdraft is repayable on demand.

Notes to the financial statements for year ended 31st March, 2019

Note 12 Trade Payables

Rs. Million

Particulars	As at 31st March, 2019			As at 31st March, 2018		
	Non-current	**Current**	**Total**	Non-current	Current	Total
Trade payable for goods & services :						
Total outstanding dues of micro enterprises and small enterprises (Refer Note 2 below)	**–**	**210.8**	**210.8**	–	180.2	180.2
Total outstanding dues of trade payables other than micro enterprises and small enterprises	**57.8**	**844.1**	**901.9**	64.0	962.0	1,026.0
Acceptances	**–**	**43.3**	**43.3**	–	43.7	43.7
Total	**57.8**	**1,098.2**	**1,156.0**	64.0	1,185.9	1,249.9

1. Trade payables are non-interest bearing and are normally settled on 30 - 60 day terms.
2. Details of due to micro, small and medium enterprises as defined under the MSMED Act, 2006

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
a) The principal amount and interest due thereon remaining unpaid to any supplier as at the end of each accounting year:		
i) Principal amount due to micro, small and medium enterprises	**33.9**	3.3
ii) Interest due on above	**0.7**	0.6
b) The amount of Interest paid by the buyer in terms of Section 16 of MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	**–**	–
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	**0.9**	0.3
d) Amount of interest accrued and remaining unpaid as at the year end of each accounting year	**1.6**	0.9
e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure u/s 23 of MSMED Act, 2006.	**–**	–

Note: The information has been given in respect of such vendors to the extent they could be identified as Micro, Small and Medium enterprises on the basis of information available with the Company.

Notes to the financial statements for year ended 31st March, 2019

Note 13 Provisions

Rs. Million

Particulars	As at 31st March, 2019			As at 31st March, 2018		
	Non-current	Current	Total	Non-current	Current	Total
(a) Provision for employee benefits (Refer note 29)						
(i) Provision for gratuity	–	–	–	2.2	–	2.2
(ii) Provision for compensated absences (See note below)	–	**54.6**	**54.6**	–	49.0	49.0
(b) Other provisions						
Warranty [Refer note (a) below]	**3.7**	**11.0**	**14.7**	4.7	13.9	18.6
Total	**3.7**	**65.6**	**69.3**	6.9	62.9	69.8

Note (a) Details of movement in warranty provision

Rs. Million

Particulars	As at 31st March, 2019			As at 31st March, 2018		
	Non-current	Current	Total	Non-current	Current	Total
At the beginning of the year	**4.7**	**13.9**	**18.6**	4.0	13.5	17.5
Arising during the year	**5.3**	**6.2**	**11.5**	4.7	5.6	10.3
Utilised (i.e. incurred and charged against the provision) during the year	**(6.3)**	**(10.0)**	**(16.3)**	(4.0)	(6.1)	(10.1)
Ind AS Impact - Unwinding of Warranty Interest	–	**0.9**	**0.9**	–	0.9	0.9
Closing Balance at the end of the year	**3.7**	**11.0**	**14.7**	4.7	13.9	18.6

A provision is recognised for expected warranty claims on manufacturing defects on products sold by the Company, based on past experience of the level of repairs. It is expected that most of these costs will be incurred in the next two financial years. Assumptions used to calculate the provision for warranties are based on the warranty period for the products sold by the Company.

Note14 (a) Income Tax recognised in Profit or Loss Section

The major components of income tax expense for the years ended 31st March 2019 and 31st March 2018

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
Current Income Tax:		
Charge for the year	**262.1**	191.0
Deferred Tax:		
Relating to origination and reversal of temporary differences	**2.8**	1.6
Income tax expense reported in the statement of profit or loss	**264.9**	192.6

Notes to the financial statements for year ended 31st March, 2019

(b) Income Tax recognised in OCI Section

Deferred tax related to items recognised in OCI during the year

Rs. Million

Particulars	**As at 31st March, 2019**	As at 31st March, 2018
Re-measurement of the defined benefit obligation	**0.6**	2.9
Income tax charged to OCI	**0.6**	2.9

Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate for 31st March, 2019 and 31st March, 2018

Rs. Million

Particulars	**As at 31st March, 2019**	As at 31st March, 2018
Accounting profit before income tax	**758.5**	562.4
At India's statutory income tax rate of **34.944%** (31 March 2018: 34.608%)	**265.1**	194.7
Income exempt for tax purposes	**(0.2)**	(0.3)
Additional allowances for tax purposes	**(4.0)**	(2.7)
Expenses not deductible for tax purposes	**4.0**	0.9
At the effective income tax rate of 33.944% (31 March 2018 : 33.608%)	**264.9**	192.6
Income tax expense reported in the statement of profit and loss	**264.9**	192.6

(c) Deferred Tax

Deferred tax related to following

Rs. Million

Particulars	**BALANCE SHEET**		**PROFIT & LOSS**	
	As at 31st March, 2019	As at 31st March, 2018	**As at 31st March, 2019**	As at 31st March, 2018
Tax effect of items constituting deferred tax liabilities				
Property, plant and equipment	**126.1**	122.1	**4.0**	–
Warranty	**(0.5)**	0.5	**(1.0)**	0.1
Tax effect of items constituting deferred tax assets				
Employee benefits	**(24.1)**	(22.2)	**(1.2)**	1.1
Provision for doubtful debts	**(4.7)**	(4.7)	**–**	(2.7)
Provision for Impairment - Investment	**(0.2)**	(0.2)	**–**	(0.2)
Other items	**(0.6)**	(0.5)	**(0.1)**	0.4
Derivatives	**–**	(1.1)	**1.1**	2.9
Deferred tax expense/ (Income)	**–**	–	**2.8**	1.6
Deferred tax liabilities (Net)	**96.0**	93.9	**–**	–

Notes to the financial statements for year ended 31st March, 2019

Reflected in the Balance Sheet as follows

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
Deferred tax assets	**(29.6)**	(28.7)
Deferred tax liabilities	**125.6**	122.6
Deferred tax liabilities, net	**96.0**	93.9

Reconciliation of Deferred Tax Liabilities (net)

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
Opening balance as of 1 April	**93.9**	95.2
Tax income/(expense) during the period recognised in profit or loss	**2.8**	1.6
Tax income/(expense) during the period recognised in OCI	**(0.6)**	(2.9)
Closing balance as at 31 March	**96.0**	93.9

Note 15 Current tax Liabilities (Net)

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
Provision for tax (net of advance tax)(net of advance tax **Rs.716.8 million** (31st March, 2018: Rs.625.9 million)	**9.6**	28.6
Total	**9.6**	28.6

Note 16 Other Financial Liabilities

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
At fair value through profit or loss		
Cross currency interest rate swaps	–	7.2
Sub-total (A)	–	7.2
At amortized cost		
(a) Current maturities of long-term debt (Refer note 11)	**105.0**	130.0
(b) Creditors for capital supplies/services	**12.5**	18.6
(c) Trade deposit received	**1.4**	1.3
Sub-total (B)	**118.9**	149.9
Total Current	**118.9**	157.1
Total Non-Current	–	–

Notes to the financial statements for year ended 31st March, 2019

Note 17 Other Current Liabilities

Rs. Million

Particulars	As at 31st March, 2019	As at 31st March, 2018
Advances received from customers	**1.0**	3.1
Statutory dues (Contributions to PF and ESIC, withholding taxes, excise duty, service tax, etc.)	**9.2**	30.4
Others	**2.0**	0.6
Total	**12.2**	34.1

Note 18 Revenue from Operations

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Revenue from contractors with customers	**6,455.5**	5,562.7
Other operating revenues:		
i) Tool development and testing charges	**3.9**	4.2
ii) Scrap sales	**35.4**	25.8
iii) Local body tax/Octroi incentive	**1.5**	–
iv) Government Grant (Export benefits and subsidy)	**67.7**	46.8
Total	**6,564.0**	5,639.5

(i) Sale of goods includes excise duty collected from customers of **Rs.Nil** (31 March 2018: Rs.130.5 Million). Sale of goods net of excise duty is **Rs.6,455.5 Million** (31 March 2018 : net of excise duty Rs.5,432.2 Million).

(ii) Revenue from operations for previous period up to 30 June 2017 includes excise duty. From 1 July 2017 onwards the excise duty and most indirect taxes in India have been replaced by Goods and Service Tax (GST). The Company collects GST on behalf of the Government. Hence, GST is not included in Revenue from operations. In view of the aforesaid change in indirect taxes, Revenue from operations for the year ended 31 March 2019 is not comparable with that of 31 March 2018.

18.1 Disaggregated Revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

(a) Disaggregation by geography

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
India	**5,012.9**	4,590.7
Outside India	**1,442.6**	972.0
Total revenue from contracts with customers	**6,455.5**	5,562.7

(b) The Company is primarily engaged in manufacturing of automobile components such as propeller shafts, clutch sets and components thereof. The performance of the Company is evaluated as business as a whole. Accordingly, there is no reportable separate segment for the Company.

Notes to the financial statements for year ended 31st March, 2019

(c) Timing of revenue recognition

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Goods transferred at a point in time	**6,455.5**	5,562.7
Goods transferred over time	**–**	–
Total revenue from contracts with customers	**6,455.5**	5,562.7

18.2 Contract Balances

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Trade Receivables	**1,741.0**	1,624.7

(i) Trade receivables are non-interest bearing and average credit period is 30 - 150 days in respect of export customers and 30 - 90 days in respect of domestic customers generally from the date of receipt of goods.

(ii) Contract liabilities include long term advance received to deliver goods. The Company do not have any contract assets and contract liabilities as at 31st March, 2019 and 31st March, 2018

18.3 Right of return assets and refund liabilities

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Right of return assets	**–**	–
Refund liabilities	**75.8**	65.1
Arising from retrospective volume rebates	**72.7**	55.1
Arising from rights of return	**3.1**	10.0

18.4 Reconciliation of the amount of revenue recognised in the statement of profit and loss with the contracted price

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Revenue as per contracted price	**6,570.8**	5,658.1
Adjustments		
Sales return	**(27.4)**	(26.8)
Discount	**(87.9)**	(68.7)
Revenue from contract with customers	**6,455.5**	5,562.6

18.5 Performance obligation

Information about the Company's performance obligations are summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods to customers. Payment in case of export customers is generally due within 30 to 150 days from delivery and in case of domestic customers payment is generally due within 30 to 90 days from date of receipt of goods.

The Company provides normal warranty for general repairs for the period of two years on all the products sold, in line with industry practice.

Notes to the financial statements for year ended 31st March, 2019

Note 19 Other Income

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Net foreign exchange gains	**34.0**	18.1
Excess provisions written back	**3.0**	0.4
Miscellaneous income	–	0.4
Net gain on disposal of property, plant and equipment	**0.5**	–
Total	**37.5**	18.9

Note 20 Finance income

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Dividend income from current investments	**0.6**	0.8
Interest income on bank deposits	–	3.6
Other interest	**1.1**	0.8
Total	**1.7**	5.2

Note 21 (a) Cost of Raw materials and Components consumed

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Inventory at the beginning of the year	**228.9**	133.6
Add : Purchases	**4,445.5**	3,961.7
	4,674.4	4,095.3
Less : Inventory at the end of the year	**253.4**	228.9
Cost of raw materials and components consumed	**4,421.0**	3,866.4

(b) Cost of traded goods

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Steel bars	**87.7**	49.2
Cost of traded goods sold	**87.7**	49.2

Notes to the financial statements for year ended 31st March, 2019

(c) (Increase) / Decrease in Inventories of Finished Goods and Work-in-progress

Rs. Million

Particulars		For the year ended 31st March, 2019	For the year ended 31st March, 2018
1.	**Inventory at the end of the year**		
	Work-in-progress	**415.8**	395.0
	Finished goods	**267.0**	214.5
		682.8	609.5
2.	**Less: inventory at the beginning of the year**		
	Work-in-progress	**395.0**	250.3
	Finished goods	**214.6**	135.3
	Excise Duty on Finished Goods	–	(18.4)
		609.6	367.2
	(Increase)/Decrease in Inventory	**(73.2)**	(242.3)

Note 22 Employee Benefits Expense

Rs. Million

Particulars		For the year ended 31st March, 2019	For the year ended 31st March, 2018
(a)	Salaries, wages and bonus	**498.4**	460.0
(b)	Contribution to provident and other funds (Refer Note 29)	**21.2**	27.8
(c)	Gratuity Expense (Refer Note 29)	**3.4**	3.3
(d)	Staff Welfare Expenses	**49.4**	44.9
		572.4	536.0
Less: Capitalized during the year*		**(2.2)**	(0.9)
	Total	**570.2**	535.1

* Represents R & D Expenses capitalised **Rs.2.2 Million** (2018 : Rs.0.9 Million)

Note 23 Finance Costs

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
(a) Interest on debts and borrowings		
– On Short Term Borrowing	**15.4**	1.6
– On Long Term Borrowing	**11.5**	18.7
(b) Other Interest		
– Trade payables – MSME (Refer Note 12)	**0.7**	0.6
– Trade Receivable (Refer Note 9)	–	0.7
Total Interest Expense	**27.6**	21.6
– Other interest - unwinding of warranty	**0.9**	0.9
– Interest on delayed payment of income tax	**3.4**	2.6
	31.9	25.1
Less: Capitalized during the year	–	–
Total	**31.9**	25.1

Notes to the financial statements for year ended 31st March, 2019

Note 24 Depreciation and Amortization Expenses

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
– Depreciation of tangible assets	**110.9**	100.3
– Amortization of intangible assets	**5.1**	3.6
Total	**116.0**	103.9

Note 25 Other Expenses

Rs. Million

Particulars	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Freight and handling charges	**157.4**	128.6
Packing materials consumed	**117.0**	106.4
Stores and spares consumed	**86.4**	80.1
Tools consumed	**76.7**	73.4
Power & fuel consumed	**76.7**	74.0
Repairs and maintenance - buildings	**1.5**	6.6
Repairs and maintenance - machinery	**13.7**	8.1
Repairs and maintenance - others	**5.4**	3.1
Loss on sale/write off of property, plant and equipment (net)	**–**	2.4
Rates and taxes	**8.3**	1.3
Lease rent [Refer note 27(i)]	**19.7**	18.9
Insurance charges	**4.7**	3.8
Provision for doubtful debts	**–**	7.1
Provision for Impairment - Investment	**–**	0.4
Excise duties	**–**	2.2
Payment to Auditors (Refer details below)	**3.1**	2.1
Expenditure on corporate social responsibility (Refer Note 34)	**8.0**	6.2
Directors' sitting fees	**0.7**	0.8
Business promotion expenses	**5.8**	7.2
Commission on sales	**0.6**	1.3
Service Charges Paid	**40.5**	31.8
Travelling Expenses	**19.2**	19.8
Legal & Professional Charges	**16.2**	16.7
Warranty Claims	**11.5**	10.3
Miscellaneous expenses	**27.5**	21.1
	700.6	633.7
Less : Capitalized during the year*	**(9.5)**	(0.4)
Total	**691.1**	633.3

*Represents R & D Expenses capitalised **Rs.9.5 Million** (2018 : Rs.0.4 Million)

Note : Payment to Auditors

Rs. Million

Payment to Auditors		For the year ended 31st March, 2019	For the year ended 31st March, 2018
As Auditor :	Audit fee	**2.5**	2.1
	Other services	**0.5**	–
	Auditors out-of-pocket expenses	**0.1**	–
		3.1	2.1

Notes to the financial statements for year ended 31st March, 2019

Note 26 Components of Comprehensive Income

Rs. Million

Particulars	Retained Earnings	
	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Re-measurement gains/(losses) of the defined benefit plans	**(1.8)**	(8.3)
	(1.8)	(8.3)

Note 27 Commitments

i) Leases

Operating lease commitment - Company as lessee

The Company has paid Rs.19.7 Million (31st March 2018: Rs.18.9 Million) during the year towards minimum lease payment.

The Company has entered into operating lease arrangements for its office premises, storage locations and residential premises.

Future minimum rental payable under non-cancellable operating leases as at 31 March are, as follows:

Rs. Million

Particulars	2018-19	2017-18
Within one year	**8.4**	8.4
After one year but not more than five years	**5.6**	14.0
More than 5 years	**–**	–
Total	**14.0**	22.4

ii) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) **Rs.41.7 Million** [31st March 2018: Rs 22.9 Million (net)].

Note 28 Contingent Liabilities not provided for:

Claims against the Company not acknowledged as debts

i) Income-tax

(a) Pursuant to an order received from Income Tax Appellate Tribunal (ITAT) in respect of the assessment years 1995–96, 1996-97 and 1997-98, upholding the Appeal of the Income Tax Department for disallowing proportionate depreciation on the assets of the Automotive Component business acquired by the Company during the year ended 31st March 1995, the Company may receive a demand from the Income Tax Department estimated at Rs.154.9 million (31st March, 2018: Rs. 150.2 million) [including interest of Rs.116.1 million (31st March, 2018 : Rs. 111.4 million].

The Company has preferred an appeal against the ITAT order in the Bombay High Court. The Company has not made any provision in the books of account as the Company, based on its own assessment and the advice given by tax consultant. The Company is expecting order from the Bombay High Court in its favor.

(b) Demands in respect of earlier years against which the Company is in appeal and pending with Appellate authorities is Rs.41.3 million (31st March, 2018: Rs. 36.7 million).

ii) Excise and Service Tax

Excise Rs.**18.2 million** (31st March, 2018 : Rs. 18.2 million)

Service Tax Rs.**4.7 million** (31st March, 2018 : Rs. 9.6 million).

Notes to the financial statements for year ended 31st March, 2019

iii) Sales Tax

Central Sales Tax Rs.**0.4 million** (31st March, 2018 : Rs. 0.4 million)

iv) Provident Fund (PF)

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. As a matter of caution, the Company has made a provision on a prospective basis from the date of SC order. The Company will update its provision, on receiving further clarity on the subject.

Note 29 Gratuity and Other Post-employment Plans

Rs. Million

Particulars	**31st March, 2019**	31st March, 2018
Gratuity (Assets) / Liability (Net)	**(3.7)**	2.2

The Company operates a gratuity plan covering qualifying employees. The benefit payable is the greater of the amount calculated as per the Payment of Gratuity Act, 1972 or the Company scheme applicable to the employees. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting.

Regulatory framework

The trustees of the gratuity fund have a fiduciary responsibility to act according to the provisions of the trust deed and rules. Since the fund is income tax approved, the Company and the trustees have to ensure that they are at all times fully compliant with the relevant provisions of the income tax and rules. Besides this if the Company is covered by the Payment of Gratuity Act, 1972 then the Company is bound to pay the statutory minimum gratuity as prescribed under this Act.

Governance of Plan

The Company has setup an income tax approved irrevocable trust fund to finance the plan liability. The trustees of the trust fund are responsible for the overall governance of the plan. The plan is funded under Group Gratuity Scheme which is administered by LIC. The Company makes annual contribution to the plan.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

Rs. Million

Particulars	**31st March, 2019**	31st March, 2018
Current service cost	**3.6**	3.6
Interest cost on benefit obligation	**(0.2)**	(0.3)
Net Benefit expenses	**3.4**	3.3

Changes in the defined benefit obligation and fair value of plan assets as at 31st March 2019

Rs. Million

Particulars	**Gratuity cost charged to profit or loss**					**Re-measurement gains/(losses) in other comprehensive income**						
	1st Apr 2018	**Service Cost (A)**	**Net interest expense**	**Sub-total included in profit or loss**	**Benefits paid**	**Return on plan assets (excluding amounts included in net interest expense)**	**Actual Return on plan assets in excess of the expected return**	**Acturial changes arising from changes in financial assume-ptions**	**Experience adjust-ments**	**Sub-total included in OCI**	**Contri-butions by employer**	**31st March 2019**
		(A)	**(B)**	**(C=A+B)**				**(D)**	**(E)**	**(F=D+E)**		
Defined benefit obligation		**3.6**	**8.4**	**12.0**	**(20.2)**	**–**	**–**	**2.7**	**(0.5)**	**2.2**	**–**	**126.0**
Fair value of plan assets		**–**	**–**	**–**	**(20.2)**	**8.6**	**0.4**	**–**	**–**	**–**	**11.1**	**129.7**
Benefit liability		**–**	**–**	**12.0**	**–**	**–**	**–**	**–**	**–**	**2.2**	**(11.1)**	**(3.7)**

Notes to the financial statements for year ended 31st March, 2019

Changes in the defined benefit obligation and fair value of plan assets as at 31st March 2018

Rs. Million

Particulars	1st Apr 2017	Gratuity cost charged to profit or loss				Re-measurement gains/(losses) in other comprehensive income						31st March 2018
		Service Cost (A)	Net interest expense	Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actual Return on plan assets in excess of the expected return	Acturial changes arising from changes in financial assume-ptions	Experience adjust-ments	Sub-total included in OCI	Contri-butions by employer	
		(A)	(B)	(C=A+B)				(D)	(E)	(F=D+E)		
Defined benefit obligation	121.7	3.7	7.7	11.4	(10.5)	–	–	(3.1)	12.5	9.4	–	132.0
Fair value of plan assets	121.2	–	–	–	(10.5)	8.0	1.0	–	–	–	10.1	129.8
Benefit liability	0.5	–	–	11.4	–	–	–	–	–	9.4	(10.1)	2.2

The major categories of plan assets of the fair value of the total plan assets are as follows:

Rs. Million

Particulars	**31st March, 2019**	31st March, 2018
Unquoted Investments – with LIC	**129.7**	129.8

The principal assumptions used in determining gratuity and post-employment gratuity benefit obligations for the Company's plans are shown below:

Particulars	**31st March, 2019**	31st March, 2018
Discount rate (per annum)	**7.10%**	7.70%
Attrition Rate		
a. Between 21-30 years	**5%**	5%
b. Between 31-40 years	**2%**	2%
c. Between 41-50 years	**3%**	3%
d. Between 51-59 years	**10%**	10%
Rate of escalation in salary (per annum)	**7%**	7%
Mortality Tables	**Indian Assured Lives Mortality (2012-14) Ult Table**	Indian Assured Lives Mortality (2006-08) Ult Table
Expected Employer's contribution next year	**10 Million**	10 Million

Sensitivity Analysis

Gratuity is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarizes the impact on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 100 basis points.

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis.

Rs. Million

Particulars	**Discount Rate**				**Future salary increase**			
	31st March 2019		31st March 2018		**31st March 2019**		31st March 2018	
	1% increase	**1% decrease**	1% increase	1% decrease	**1% increase**	**1% decrease**	1% increase	1% decrease
Impact on defined benefit obligation	**121.5**	**130.8**	127.4	137.0	**130.8**	**121.4**	137.0	127.3

Notes to the financial statements for year ended 31st March, 2019

The table below shows the expected cash flow to be paid to the current membership of the plan based on past service of the employees

Rs. Million

Particulars	31st March, 2019	31st March, 2018
Within the next 12 months (next annual reporting period)	**36.6**	46.4
2 years and above but less than 5 years	**61.2**	55.0
5 years and above but less than 10 years	**43.9**	54.6
10 years and above	**32.3**	29.7
Total expected payments	**174.0**	185.7

The weighted average duration to the payment of these cash flows is 3.65 years.

Asset liability comparisons

Rs. Million

Particulars	31st March, 2019	31st March, 2018
PVO at the end of the year	**126.0**	132.0
Plan Assets	**129.7**	129.8
Surplus/(Deficit)	**(3.7)**	2.2
Experience adjustments on plan assets	–	–

The Company's contribution to Provident Fund and Superannuation fund aggregating **Rs.21.2 Million** (31st March, 2018 : Rs.27.8 Million) has been recognised in Profit or Loss under the head Employee Benefits Expense.

Note 30 Related Party Transactions

(i) Details of related parties and description of relationship

Sr. No.	Description of relationship	Name of the Party
1.	Individual having significant influence over the company	Ms. Superna Motwane, Non-Executive Director
2.	Enterprise over which KMP have significant influence	MSona Automotive Components Private Limited Motwane Consultancy Private Limited Khattar Holdings Private Limited MSL North America Inc.
3.	Key Managerial Personnel	Mr. Gaurav G. Motwane Mr. Sat pal Khattar Mr. Vivek Patwardhan (Upto 31st March, 2019) Mrs. Avantika Kakkar (Upto 14th February, 2018) Mr. Arvind Khattar Mr. Nikhilesh Panchal Mr. Rajesh Nagpal Mr. Manish Choksi (w.e.f. 12th February, 2019)

Notes to the financial statements for year ended 31st March, 2019

Details of Related Party transactions during the year ended 31st March, 2019 and outstanding balances as at 31st March, 2019.

Rs. Million

Sr. No	Particulars	Year	Individual having significant influence	Enterprises over which KMP have significant influence	Key Managerial Personnel
1.	Charges for utilising office facilities	**2018-19**	**–**	**8.4**	**–**
		2017-18	–	2.8	–
2.	Deposits for utilizing office facilities	**2018-19**	**–**	**–**	**–**
		2017-18	–	**4.2**	–
3.	Advances given	**2018-19**	**–**	**0.7**	**–**
		2017-18	–	–	–
4.	Managerial remuneration (including commission)	**2018-19**	**–**	**–**	**63.5**
		2017-18	–	–	52.9
5.	Directors' sitting fees	**2018-19**	**0.1**	**–**	**0.6**
		2017-18	0.1	–	0.7
6.	Business promotion expenses	**2018-19**	**–**	**–**	**3.29**
		2017-18	–	–	–
7.	Buy Back of shares	**2018-19**	**94.1**	**129.1**	**11.1**
		2017-18	79.2	93.2	35.5
8	Purchase of Raw Material (including Goods & Service Tax)	**2018-19**	**–**	**0.9**	**–**
		2017-18	–	–	–
9.	Balance payable as on	**31st March, 2019**	**–**	**–**	**6.1**
		31st March, 2018	–	–	22.9
10.	Balance receivable as on	**31st March, 2019**	**–**	**4.9**	**–**
		31st March, 2018	–	4.2	–

Notes to the financial statements for year ended 31st March, 2019

The significant related party transactions are as under

Sr. No.	Particulars	Year	Name of Related Party	Rs. Million
1.	Charges for utilizing office facilities	**2018-19**	**Motwane Consultancy Private Limited**	**8.4**
		2017-18	Motwane Consultancy Private Limited	2.8
2.	Deposits for utilizing office facilities	**2018-19**	**Motwane Consultancy Private Limited**	**–**
		2017-18	Motwane Consultancy Private Limited	4.2
3.	Advances Given	**2018-19**	**MSL North America Inc.**	**0.7**
		2017-18	MSL North America Inc.	–
4.	Managerial Remuneration	**2018-19**	**Mr. Gaurav G. Motwane**	**63.5**
		2017-18	Mr. Gaurav G. Motwane	**52.9**
5.	Buy Back of shares	**2018-19**	**MSona Automotive Components Private Limited**	**93.2**
		2018-19	**Khattar Holdings Private Limited**	**35.9**
		2018-19	**Mr. Satpal Khattar**	**11.1**
		2018-19	**Ms. Superna Motwane**	**94.1**
		2017-18	MSona Automotive Components Private Limited	93.2
		2017-18	Khattar Holdings Private Limited	–
		2017-18	Mr. Satpal Khattar	35.5
		2017-18	Ms. Superna Motwane	79.2
6.	Balance payable as on	**31st Mar 19**	**Mr. Gaurav G. Motwane**	**6.1**
		31st Mar 18	Mr. Gaurav G. Motwane	22.9
7.	Balance receivable as on	**31st Mar 19**	**MSL North America Inc.**	**0.7**
		31st Mar 18	MSL North America Inc.	–
8.	Balance receivable as on	**31st Mar 19**	**Motwane Consultancy Private Limited**	**4.2**
		31st Mar 18	Motwane Consultancy Private Limited	4.2

a) In respect of the outstanding balance recoverable as at 31st March, 2019, no provision for doubtful debts is required to be made in the financial statement as at 31st March, 2019. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

b) During the year, there were no amounts required to be written off or written back in respect of debts due from or to related parties.

c) **Terms and conditions of transactions with related parties**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

(ii) Compensation of Key Managerial Personnel

Rs. Million

Particulars	31st March, 2019	31st March, 2018
Short-term employee benefits	**60.1**	49.6
Post-employment benefits	**3.4**	3.3
Total compensation paid to key management personnel	**63.5**	52.9

Note The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Employee benefits in the nature of gratuity and leave encashment are created on actuarial basis for the company as a whole and not for the individual employee including KMP.

Notes to the financial statements for year ended 31st March, 2019

Note 31 During the current year, the Company has filed a writ petition on 14th January, 2019 with the High Court to claim the credits towards tax / duties paid during pre-GST regime as the Company was not able to upload the Form GST TRAN-1 return within the due date.

Subsequently in the current year, the Company has filed the Form GST TRAN-1 on 13th March, 2019 with the authorities post resolution of technical error on GST authority portal. On account of this, outstanding credits under Pre-GST Regime have been transferred to input credit under GST Regime and accordingly adjusted its books of accounts.

Note 32 Computation of Earnings Per Share

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of Equity shares outstanding during the year.

The following reflects the income and share data used in the basic & diluted EPS computations:

Particulars	**2018-19**	2017-18
a) Net Profit after tax available for Equity Shareholders (Rs. Million)	**493.6**	369.8
b) Weighted average number of Equity Shares	**9,822,972**	10,512,778
c) Basic and Diluted Earnings per share (Rs.)	**50.25**	35.18
d) Face Value per share (Rs.)	**10.0**	10.0

The weighted average number of shares takes into account the weighted average effect of shares being bought back during the financial year. There have been no other transactions involving Equity shares or potential Equity shares during the financial year.

Note 33 Research & Development Cost

The Company's research and development concentrates on the development of Universal Joints and clutch sets. Research and Development expenditure incurred in recognized Research and Development unit for the year is as below:

Rs. Million

Particulars	**31st March, 2019**	31st March, 2018
Research & development cost, as certified by the management		
a) Revenue expenses debited to appropriate heads of account	**17.4**	15.0
b) Capital Expenditure	**5.3**	1.4

Note 34 Corporate Social Responsibility

In line with Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities, issued by the Institute of Chartered Accountants of India, the disclosure of the CSR expenditure during the year is as under:

Rs. Million

Particulars		**31st March, 2019**			31st March, 2018	
a) Gross amount required to be spent by the company during the year			**9.0**			8.3
b) Amount spent during the year	**In cash**	**Yet to be paid in Cash**	**Total**	In cash	Yet to be paid in Cash	Total
i) Construction/acquisition of any asset	**–**	**–**	**–**	–	–	–
ii) On purposes other than (i) above	**7.1**	**–**	**–**	6.2	–	–

Notes to the financial statements for year ended 31st March, 2019

Note 35 Derivatives Instrument

(a) The Company enters into foreign currency interest rate swaps and foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss. The foreign exchange forward contracts are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to twenty four months.

During the current year, the Company has converted the foreign currency loans in Rupee Term Loans (RTL). Refer note 11 for details.

Rs. Million

Nature of instrument	Currency	31st March 2019		31st March 2018		Purpose - Hedging / Speculation
		USD	INR	USD	INR	
Derivative contracts						
Foreign Currency Interest rate swap - Payable	USD	–	–	3.0	194.1	Hedging

(b) The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

Rs. Million

Particulars	Currency	31st March, 2019	31st March, 2018
Trade receivable	USD	7.1	5.9
	GBP	0.1	0.2
	EURO	#	#
Trade payables	USD	1.5	3.0
	EURO	*	*
Term loan (hedged)	USD	–	3.0
# represents	EURO	13,949	3,577
* represents	EURO	41,658	3,788

Note 36 Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are measured at fair value on a recurring basis:

The following table gives information about how the fair values of these financial assets and financial liabilities are determined in particular, the valuation technique(s) and inputs used.

Rs. Million

Particulars	Fair Value		Fair Value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31st March 2019	31st March 2018	31st March 2019			
Cross currency interest rate swaps - payable	–	7.2	Level 2	Future cash flows are estimated on forward exchange rates and observable yield curves at the end of the reporting period and contract forward rates, contract interest rates discounted at a rate that reflects the credit risk of various counter parties.	None	None

Notes to the financial statements for year ended 31st March, 2019

Reconciliation of fair value measurement of derivative instrument (cross currency swap) measured at FVTPL:

Rs. Million

Particulars	Amount
Amount as on 31st March 2017	15.7
Re-measurement/Settlement recognised in profit and loss statement	(8.5)
Amount as on 31st March 2018	7.2
Re-measurement/Settlement recognised in profit and loss statement	7.2
Amount as on 31st March 2019	**0.0**

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Rs. Million

Particulars	Carrying Value		Fair Value	
	31st March, 2019	31st March, 2018	**31st March, 2019**	31st March, 2018
Financial assets carried at amortised Cost				
– Cash and cash equivalent	**46.6**	119.5	**46.6**	119.5
– Other Bank Balance*	**–**	–	**–**	–
– Trade receivables	**1,741.0**	1,624.7	**1,741.0**	1,624.7
– Other Financial Assets	**18.0**	14.4	**18.0**	14.4
Total	**1,805.6**	1,758.6	**1,805.6**	1,758.6
Financial liabilities held at amortised cost				
– Borrowings	**433.7**	232.5	**433.7**	232.5
– Trade and other payables	**1,156.0**	1,249.9	**1,156.0**	1,249.9
– Other financial liabilities	**118.9**	149.9	**118.9**	149.9
Total	**1,708.6**	1,632.3	**1,708.6**	1,632.3

* Represents fixed deposit of **Rs.75,000** (2018: Rs. 75,000) in the name of - CTO CIRCLE PITHAMPUR A/C MAHINDRA SONA LIMITED for 5 years towards Madhya Pradesh Central Sales Tax Registration.

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2019 was assessed to be insignificant.

Note 37 Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to the financial statements for year ended 31st March, 2019

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Rs. Million

Particulars	31st March, 2019			31st March, 2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial assets carried at amortised Cost						
– Cash and cash equivalent	–	–	**46.6**	–	–	119.5
– Other Bank Balance	–	–	–	–	–	–
– Trade receivables	–	–	**1,741.0**	–	–	1,624.7
– Other Financial Assets	–	–	**18.0**	–	–	14.4
Total	–	–	**1,805.6**	–	–	1,758.6

Rs. Million

Particulars	31st March, 2019			31st March, 2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial liabilities held at amortised cost						
– Borrowings	–	–	**433.7**	–	–	232.5
– Trade and other payables (including capital)	–	–	**1,156.0**	–	–	1,249.9
– Other financial liabilities	–	–	**118.9**	–	–	149.9
Total	–	–	**1,708.6**	–	–	1,632.3

There have been no transfers between Level 1 and Level 2 during the period.

Note 38 Financial Risk Management Objectives and Policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The senior management monitors financial risks and they design appropriate financial risk governance framework for the Company. All derivative activities and packing credit finances for risk management purposes are carried out by senior management who have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Company management reviews and agrees policies for managing each of these risks, which are summarised below.

[A] CREDIT RISK

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

(i) Trade receivables

Customer credit risk is managed by the Company subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on payment performance over the period of time and financial analysis including credit rating issued by credit rating agencies for major customers. Outstanding customer receivables are regularly monitored and any shipments to other small customers are generally covered by bank guarantees. At 31st Mar, 2019, the Company had 5 customers (31st march, 2018 : 4 customers) that owed the Company more than Rs. 100 Millions each and accounted for approximately 81% of all the receivables outstanding (31st Mar, 2018 : 76%)

An impairment analysis is performed at each reporting date on an individual basis for major customers. The Company does not hold collateral as security. The calculation is based on exchange losses historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 11. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Notes to the financial statements for year ended 31st March, 2019

(ii) Financial instruments and cash deposits:

Credit risk from balances with banks and financial institutions is managed by the Company in accordance with the Company's policy. Investments of surplus funds are made only with approved mutual fund or banks and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company on an annual basis, and may be updated throughout the year subject to approval of the Company's senior management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

[B] LIQUIDITY RISK

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

(ii) Maturities of financial liabilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Rs. Million

Particulars	**31st March, 2019**						31st March, 2018					
	Less than 1 Year	**1-3 Years**	**3-5 Years**	**5 Years & above**	**Total**	**Carrying amount**	Less than 1 Year	1-3 Years	3-5Years	5 Years & above	Total	Carrying amount
Non-interest bearing												
– Trade Payable	**1,098.2**	**57.8**	**–**	**–**	**1,156.0**	**1,156.0**	1,185.9	64.0	–	–	1,249.9	1,249.9
– Other financial liabilities	**13.9**	**–**	**–**	**–**	**13.9**	**13.9**	19.9	–	–	–	19.9	19.9
Interest bearing												
– Other financial liabilities	**114.8**	**–**	**–**	**–**	**114.8**	**114.8**	40.3	–	–	–	40.3	40.3
– Borrowing	**–**	**36.1**	**–**	**–**	**36.1**	**36.1**	–	37.7	–	–	37.7	37.7
– Packing Credit	**315.1**	**–**	**–**	**–**	**315.1**	**315.1**	97.8	–	–	–	97.8	97.8
– Cash Credit	**88.7**	**–**	**–**	**–**	**88.7**	**88.7**	0.6	–	–	–	0.6	0.6

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets. The amounts disclosed in the table have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Rs. Million

Particulars	**31st March, 2019**						31st March, 2018					
	Less than 1 Year	**1-3 Years**	**3-5 Years**	**5 Years & above**	**Total**	**Carrying amount**	Less than 1 Year	1-3 Years	3-5Years	5 Years & above	Total	Carrying amount
Non-interest bearing												
– Cash and cash equivalent	**46.6**	**–**	**–**	**–**	**46.6**	**46.6**	119.5	–	–	–	119.5	119.5
– Other Bank Balance*	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
– Trade receivables	**1,741.0**	**–**	**–**	**–**	**1,741.0**	**1,741.0**	1,624.7	–	–	–	1,624.7	1,624.7
– Other Financial Assets	**–**	**8.1**	**–**	**9.9**	**18.0**	**18.0**	–	8.8	–	5.6	14.4	14.4

* Represents fixed deposit of Rs. 75,000 (2018: Rs. 75,000) in the name of - CTO CIRCLE PITHAMPUR A/C MAHINDRA SONA LIMITED for 5 years towards Madhya Pradesh Central Sales Tax Registration.

Notes to the financial statements for year ended 31st March, 2019

The following tables detail the Company's remaining contractual maturity for its derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial derivative liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Rs. Million

	Less than 1 Year	1-3 Years	3-5Years	5 Years and above	Total	Carrying amount
31st March, 2019						
– Cross currency interest rate swap	–	–	–	–	–	–
31st Mar, 2018						
– Cross currency interest rate swap	109.4	106.2	–	–	215.6	215.6

[C] MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company uses derivatives to manage market risks. Derivatives are only used for economic hedging purposes and not as speculative investments. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Currency Risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to currency risk relates primarily to the Company's operating activities and borrowings when transactions are denominated in a different currency from the Company's functional currency.

The Company manages its foreign currency risk by hedging trade receivables and borrowings.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

Foreign Currency Risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to currency risk relates primarily to the Company's operating activities and borrowings when transactions are denominated in a different currency from the Company's functional currency.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. The Company hedges its exposure to fluctuations by using foreign currency swaps and forwards.

The carrying amounts of the Company's unhedged foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

Rs. Million

Particulars	**Currency**	**31st March, 2019**	31st March, 2018
Trade receivable	**USD**	**7.1**	5.9
Trade payables	**USD**	**1.5**	3.0

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

Rs. Million

Year	**Change in USD Rate**	**Effect on profit before tax and equity**
31st March 2019	**5%**	**19.2**
	-5%	**-19.2**
31st March 2018	5%	9.5
	-5%	-9.5

Notes to the financial statements for year ended 31st March, 2019

Interest Rate Risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest Rate Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedging. With all other variables held constant, the company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Rs. Million

Year	Increase/decreasein basis points	Effect on profit before tax
31st March 2019	**+100**	**2.90**
	-100	**-2.90**
31st March 2018	+100	0.43
	-100	-0.43

Commodity price risk or other Price risk

The Company does not have significant risk in raw material price variations. In case of any variation in price same is passed on to customers through appropriate adjustment to selling prices.

Note 39 Capital Management

For the purpose of the company's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company's capital management is to maximise the shareholder value.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's policy is to keep the gearing ratio between 0% and 15%. The company includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents, excluding discontinued operations.

Rs. Million

Particulars	31st March, 2019	31st March, 2018
Borrowings	**538.7**	362.5
Less : Cash and cash equivalent including other bank balances	**46.6**	119.5
Net Debt	**492.1**	243.0
Equity	**2,034.8**	1,849.1
Total Capital	**2,034.8**	1,849.1
Total Capital and debt	**2,526.9**	2,092.1
Gearing ratio	**19.5%**	11.6%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

Notes to the financial statements for year ended 31st March, 2019

Note 40 Segment Information

The Company is primarily engaged in manufacturing of automobile components such as propeller shafts, clutch sets and components thereof. Information reported to and evaluated regularly by the Chief Operational Decision Maker (CODM) i.e. Chairman, Managing Director and CEO for the purpose of resource allocation and assessing performance focuses on the business as a whole. Accordingly, there is no other separate reportable segment as defined by Ind AS 108 "Segment Reporting".

Information about Geographical area

The revenue of the Company from the external customers are attributed to the Company's country of domicile i.e. India and attributed to all foreign countries in total from which the Company derives revenue.

The Company's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

Rs. Million

Particulars	Financial Year	Domestic	U.S.A.	Other countries	Total
Revenue from External Customers	**2018-19**	**5,012.9**	**1,356.7**	**85.9**	**6,455.5**
	2017-18	4,590.7	872.5	99.5	5,562.7
Non-current Operating Assets	**2018-19**	**1,054.6**	**–**	**–**	**1,054.6**
	2017-18	991.9	–	–	991.9

Information about major customers having revenue amounting to 10% or more of the company's revenue.

Particulars	Domestic		U.S.A.		Total	
	No of Customers	Rs. Million	No of Customers	Rs. Million	No of Customers	Rs. Million
2018-19	**2**	**2,687.7**	**1**	**1,258.2**	**3**	**3,945.9**
2017-18	2	2,519.7	1	916.8	3	3,436.5

No other customer individually contributed 10% or more to the Company's revenue for the current year ended 31st March, 2019 and previous ended 31st March, 2018.

Note 41 Standards issued but not effective

Ind AS 116 Leases was notified on 30th March, 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1st April, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

The Company intends to adopt these standards, with effect from 1st April, 2019. The Company is evaluating the impact of new Accounting Standard on its Financial Statement, to accounting system, processes, and additional disclosure requirements that may be necessary.

Note 42 Previous Year Comparatives

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

As per our report of even date
For S R B C & CO. LLP
Chartered Accountants
ICAI Firm Regn. No.324982E / E300003

Per Dolphy D'Souza
Partner
Membership No. 038730

Mumbai, May 29, 2019

For and on behalf of the Board of Directors
MSL Driveline Systems Limited

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Manish Choksi
Independent Director
(DIN 00026496)

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, May 29, 2019